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Review of Public Order Law

Changes in the law on public order in Great Britain proposed in a White Paper published on 16 May are designed to give the police the necessary powers to prevent and deal with violence and disorder while continuing to safeguard freedom of speech and the right of protest. The proposals include changes in the law relating to marches and assemblies, including a new police power to impose conditions on open-air assemblies; clearer statutory definitions of the major public order offences; a new definition of the offence of incitement to racial hatred; and legislation in England and Wales to control the availability of alcohol at or on the way to football matches.

THE WHITE PAPER

The White Paper[1] presented to Parliament jointly by the Home Secretary and the Secretary of State for Scotland, sets out the conclusions of a review of the Public Order Act 1936 and related legislation which the Government started in 1979 and whose scope was subsequently widened to encompass a number of relevant reports published during the period of the review. These include the report of the House of Commons Select Committee on Home Affairs, entitled *The Law Relating to Public Order*, published in 1980, the report of Lord Scarman on the Brixton disorders in 1981 (see pp 373-8, 1981), and the recommendations of the Law Commission on the modernisation of the common law offences of riot, unlawful assembly and affray published in 1983. The review also took into account a number of outbreaks of public disorder, including those associated with urban disorders in 1981 and the coal industry dispute in 1984-85 (see pp 77-8), as well as problems connected with demonstrations by animal rights protesters, the anti-nuclear movement, the National Front and disorder associated with football hooliganism.

Throughout the review the Government has kept in mind two main concerns: the need to strike a balance between the rights of those who wish to demonstrate and the interests of the wider community; and the need to provide the police with adequate preventive powers rather than to expect them to deal with disorder and disruption on the day. It considers that the rights of peaceful protest and assembly are among the country's fundamental freedoms, and has been concerned to regulate these freedoms to the minimum extent necessary to preserve order and protect the rights of others.

[1] *Review of Public Order Law*. Cmnd 9510. HMSO, £4·70. ISBN 0 10 195100 0.

The White Paper states that the review has revealed no major gaps in the law, but that there are important points where the law can helpfully be extended and clarified, mainly in improving the opportunities for the police to try to prevent disorder or disruption before it occurs. The Government's objective has been to fill the genuine gaps in the law, in a way which provides the police with the necessary powers without infringing civil liberties and without creating obligations and expectations of the police which they cannot meet.

A summary of the main government proposals is given below.

Marches and Static Demonstrations

The White Paper proposes to introduce in England and Wales a national requirement for organisers to give at least seven days' advance notice of marches, subject to certain exemptions for religious and traditional processions and those for which longer notice is not possible. (A requirement of advance notice already exists in Scotland and in certain local authority areas in England and Wales.) Organisers who fail to comply with the requirement to notify would be liable to a new offence triable summarily with a maximum penalty of £400.

Under the present law the powers of the police to impose conditions on a march – for example, the route to be taken – are confined to circumstances when serious public disorder is anticipated. The paper concludes that the power to impose conditions should also apply where a serious disruption of the life of the community or the coercion of individuals is anticipated. Any decision by the police to impose conditions would be subject to challenge in the courts. No extension of the existing power to ban marches is proposed; the sole justification for a ban is the risk of serious public disorder which the imposition of conditions would not prevent.

The present law to impose conditions on, and to ban, demonstrations applies only to processions and marches; it does not apply to static demonstrations, assemblies or meetings. Since in recent years some of the most serious public order problems have been associated with static assemblies – for example, mass picketing and football crowds – the Government considers that the police need preventive powers to minimise the risk of disorder at assemblies in the open air. There should, however, be no power to ban such assemblies: this, according to the White Paper, would be 'a substantial limitation on the right of assembly and the right to demonstrate'. It is proposed therefore to give the police power to impose conditions on the numbers, location and duration of open-air assemblies, including pickets and football crowds. As with marches, the police power to impose conditions would

be limited to assemblies which threaten to result in serious public disorder, serious disruption or the coercion of individuals.

The paper also proposes that the offence of criminal intimidation should carry a specific power of arrest and that the maximum penalty should be increased from three months' imprisonment and £100 fine to six months' imprisonment and a fine of £2,000.

The Government has concluded that special controls on demonstrations by foreign nationals are not practicable or desirable. Consideration of this issue was included in the review after the shooting outside the Libyan People's Bureau in April 1984 (see p 161, 1984).

The paper recommends exploring the possibility of introducing a power to enable the police authority to recover policing costs from the organisers through civil proceedings where conditions imposed by the police on a demonstration have been breached.

Revision and Codification of Public Order Offences

The Government proposes to accept the Law Commission's recommendations that the common law public order offences of riot, rout, unlawful assembly and affray should be abolished and replaced with the following statutory offences: a statutory offence of violent disorder which would apply to those using or threatening unlawful violence to persons or property in a group of three of more; a statutory offence of affray penalising those threatening or using unlawful violence; and a statutory offence of riot which would apply to those using unlawful violence in a group of 12 or more using or threatening such violence with a common purpose. These changes would not significantly affect the overall scope of the criminal law, but they would restate these offences in clearer modern language. They would introduce statutory maximum penalties, and give prosecutors greater flexibility over the mode of trial, by enabling less serious cases of affray and violent disorder to be tried in a magistrates' court.

The paper also examines the possibility of creating a new offence of disorderly conduct to apply to those who behave in an abusive, insulting, theatening or disorderly manner, causing people to be substantially alarmed, harassed or distressed.

Incitement to Racial Hatred

The White Paper contains proposals for tightening up the offence of incitement to racial hatred by extending it to conduct which is likely *or intended* to stir up racial hatred; by making it an offence to possess racially inflammatory material with a view to distribution or publication; and by removing the exemption for material circulated to members of an association.

Football Hooliganism

Following a number of recent disturbances involving football spectators the Government believes that specific measures, as well as the application of more general proposals, are required to prevent disorder in connection with football matches. In particular it has looked at the provisions of the Criminal Justice (Scotland) Act 1980 restricting the availability of alcohol at or on the way to football matches, and intends to bring forward similar legislation for England and Wales (see also p 210).

Application of Proposals to Scotland

Some of the provisions proposed for marches, including advance notice, already apply in Scotland; the regulatory powers of Scottish local authorities over marches would continue, and the police would be given the same powers as in England and Wales to impose conditions on marches and on static assemblies. The proposal to make criminal intimidation an arrestable offence and the proposal on incitement to racial hatred would extend to Scotland, but the common law public order offences there would remain unchanged pending recommendations from the Scottish Law Commission on mobbing and rioting.

PARLIAMENTARY STATEMENT

In a statement to the House of Commons on 16 May on the publication of the White Paper (*Hansard*, Vol 79, No 118, cols 508-21), the Home Secretary, Mr Leon Brittan, said that the paper's proposals brought up to date the age-old balance between fundamental but sometimes competing rights in society. The basic and crucial right to freedom of speech and freedom of assembly must continue to be preserved. These freedoms, which were essential to any democratic society, must be given full and effective protection, but people also had the right to protection against being bullied, hurt, intimidated or obstructed, whatever the motive of those responsible, whether they were violent demonstrators, rioters, intimidatory mass pickets or soccer hooligans. These proposals would contribute in a practical way to protecting both sets of freedoms.

Opposition View

While welcoming some of the proposals, including those concerning incitement to racial hatred and the activities of louts and hooligans, the official Opposition spokesman on home affairs, Mr Gerald Kaufman, said that the White Paper did not provide a satisfactory basis for democratic dissent or for peace in crime-free streets and neighbourhoods. He was particularly concerned that the proposals on marches, demonstrations and picketing would force the police into making political judgments and decisions and thus erode their independence.

EXTERNAL AFFAIRS AND DEFENCE

Defence

The need to maintain defence and deterrence through the North Atlantic Treaty Organisation (NATO), Britain's commitment to positive progress on arms control and the improvement of East-West relations, and the importance of efficiency and effectiveness in the application of defence resources within Britain and among its West European allies through closer co-operation and consultation were major themes in the British Government's 1985 White Paper on defence, published in May. Defence expenditure for 1985-86, over £18,000 million, will be one-fifth higher in real terms than in 1978-79.

The Soviet Threat

After briefly recalling the formation of NATO following the Soviet occupation of Eastern Europe in the aftermath of the second world war, the White Paper[1] describes the continuing threat the Soviet Union poses to the Western Alliance. Obsessed with its own security and insensitive to that of other countries, the Soviet Union attached great importance to military power and combined this with an ideology dedicated to the ultimate victory of communism. The evidence suggested that, although it would pursue its ideological goals with caution and discretion, opportunities would be grasped if the price was limited and acceptable. While there was no reason to believe that there was any immediate intention of attacking the West, the Alliance could not ignore the continued improvement of the Soviet capability for such an attack.

The size and reach of these forces also made them a potent political weapon which, if not counterbalanced by an adequate military strength, could be exploited to bring unwelcome influence to bear on the domestic and foreign policies of other countries. This process could be seen in many parts of the Third World, to which the Soviet Union had increasingly turned its attention when blocked from further western expansion by the strength of NATO. Even in the years of détente in the 1970s the Soviet Union had established a dominant position in South Yemen and Mozambique; undertaken proxy interventions in Angola and Ethiopia; helped North Vietnam to overrun South Vietnam and then Cambodia; and intervened directly in Afghanistan. The Soviet Union also used other techniques for extending its influence worldwide, including the development of an ocean-going navy, massive arms exports and more covert forms of support for groups or governments willing to help further Soviet aims. Such developments could threaten the vital interests of NATO countries, and they therefore needed to look increasingly to Western security concerns over a wider field than before.

Balance of Forces

The balance of forces between East and West had changed radically since 1945. The Soviet Union had not only maintained its advantage in conventional forces in Europe, but had caught up the United States in intercontinental strategic nuclear forces, had established a clear superiority in longer- and shorter-range intermediate nuclear forces and was developing a massive chemical warfare capability. It had also acquired a navy to project its power world-wide, and was increasingly matching the West in the technical sophistication of its weaponry. Moreover, Soviet military doctrine laid primary emphasis on offensive operations.

The information available suggested that in strategic nuclear forces the United States still retained a slight advantage in overall warhead numbers when aircraft-delivered weapons were included (about 10,000 to 10,500 against 9,000 to 10,000), but the Soviet Union had more delivery systems and many more warheads on missiles. It also had about three times as much missile throw-weight – about 5·6 million kilograms compared with the United States' 1·8 million kilograms. Two new Soviet intercontinental ballistic missiles capable of being deployed on mobile launchers were in an advanced state of development, while a new submarine-launched ballistic missile system was being deployed with another undergoing sea trials. A new strategic bomber able to carry cruise missiles was in production and a sea-launched cruise missile was also being developed. It was against this background that the United States had begun to modernise its strategic forces, developing two new intercontinental ballistic missiles for deployment in 1986 (the MX missile) and the 1990s respectively and the advanced Trident II submarine-launched ballistic missile. The B1 bomber was also expected to enter service in 1986. The first nuclear armed sea-launched cruise missiles were deployed in 1984.

The Soviet Union also had more longer-range intermediate nuclear forces in Europe – 320 aircraft and 363 missile launchers (including 243 multiple independently-targetable re-entry vehicles), as opposed to NATO's 150 aircraft and 118 missile launchers.

[1] *Statement on the Defence Estimates 1985.* Vol 1. Cmnd 9430–I. HMSO, £4·50. ISBN 0 10 194300 8. Vol 2. (Defence Statistics.) Cmnd 9430–II. HMSO, £5. ISBN 0 10 194301 6.

On the central front in Europe the current balance of conventional forces showed a superiority in favour of the Warsaw Pact which had 740,000 soldiers in fighting units, 16,400 main battle tanks, 10,500 anti-tank guided weapons, 8,300 artillery and 2,700 fixed-wing tactical aircraft: in contrast NATO forces had 600,000 soldiers in fighting units, 7,800 main battle tanks, 7,900 anti-tank guided weapons, 3,000 artillery and 1,300 fixed-wing tactical aircraft. Although these forces would be reinforced in time of crisis, the Warsaw Pact was better placed geographically to move additional forces to the central front and to sustain them once they were there. Most of NATO's reinforcement forces had to be moved across the Atlantic from North America; in contrast, Soviet forces could move quickly to the central front from the western Soviet Union.

Although there had been a slow-down in the rate of growth of Soviet defence expenditure since the mid-1970s, the level was still high and growing in real terms, and the evidence indicated that the military would continue to be given very high priority by the Soviet leadership. 'That is why there is no room for complacency and why we must constantly be ready to respond to any threat that arises with firmness and resolve and in solidarity with our allies. Only thus will we ensure that today's peace is preserved on a permanent footing.'

It was for these reasons that the Government was determined that the recent improvement in Britain's defence capabilities should continue, obtaining the best value for money from the high level of resources now devoted to defence (20 per cent higher than in 1979), and to structure and deploy its forces for maximum deterrent effect. It would also continue to work closely with Britain's allies to maintain NATO's effectiveness, including seeking the most effective ways of securing the Alliance's collective defence.

Arms Control

At the same time Britain, which had participated in all multilateral arms control negotiations since 1945 and was party to most of the treaties concluded, attached importance to the achievement of realistic, balanced and verifiable measures of arms control and disarmament. Recognising that arms control measures were difficult to reach in a climate of mutual suspicion, Britain was working actively to establish and foster better relations with the East, as shown by the recent visits by the Prime Minister, Mrs Margaret Thatcher, and the Secretary of State for Foreign and Commonwealth Affairs, Sir Geoffrey Howe, to Moscow in 1984 and 1985 (see pp 10-12, 111-12).

Space Weapons

Britain was anxious to prevent the spread of the arms race to space. Experience suggested that progress would be easier to achieve if the weapons were still at an early stage of development. This was the principle underlining the four points agreed between the United States and Britain during the Prime Minister's visit to Washington in December 1984. These were that the West's aim was to maintain balance with, not achieve superiority over, the Soviet Union; that Strategic Defence Initiative-related deployment would have to be a matter of negotiations; that the overall aim was to enhance deterrence; and that negotiations should aim to achieve security with reduced levels of offensive weapon systems on both sides. Against this background Britain welcomed the agreement of the United States and the Soviet Union in Geneva in January to enter negotiations aimed at preventing an arms race in space and terminating it on earth, at limiting and reducing nuclear arms, and at strengthening strategic stability (see p 12). The fact that these negotiations started in March demonstrated that the firmness shown by the Alliance over the last year had borne fruit, for, despite Soviet pressure, the Alliance had not made any one-sided concessions to bring the Soviet Union back to the negotiating table. The United States had made clear its commitment to consultation with its allies, and Britain would play a full and constructive part.

Conventional Arms

Negotiations on conventional arms control had been marked by strong Western efforts but slow progress. At the Conference on Confidence- and Security-building Measures and Disarmament in Europe in Stockholm, Britain and its NATO allies had tabled a major set of proposals designed to create greater openness about normal military activities (for example, exercises) and thus reduce the likelihood of an outbreak of hostilities by accident, design or misunderstanding, and procedures had now been agreed which Britain hoped would enable the Conference to start serious and constructive negotiations. The agreed negotiating goal at the mutual and balanced force reductions talks in Vienna was for 900,000 ground and air forces on each side in an area of Central Europe (covering Belgium, the Federal Republic of Germany, the German Democratic Republic, the Netherlands, Luxembourg, Poland and Czechoslovakia). In order to break the deadlock caused by the East's underestimate of the number of its own forces from which reductions would begin, NATO countries had proposed a wholly revised format, built on previous Eastern proposals, for the exchange of initial manpower data, concentrating on combat and combat support forces. Although this had produced a negative response from the Warsaw Pact and an Eastern initiative tabled in February 1985 had failed to address the real issues, the West would nevertheless continue to work for a balanced agreement with satisfactory verification.

Chemical Weapons

Britain had abandoned its chemical warfare capability in the late 1950s and there had been no change of policy since then. In contrast, the Soviet Union was continuing an extensive research and development programme, increasing its own chemical warfare stockpile and maintaining a formidable offensive chemical warfare capability. Although some progress had been made toward a comprehensive ban on the development, production, stockpiling, transfer and use of chemical weapons and the destruction of existing stockpiles, several key problems of verification remained to be resolved (see pp 103-4). The urgency of a ban was underlined in a report by a United Nations investigating team confirming the use of chemical weapons in the Gulf War. In response, Britain had taken the lead by imposing export controls on certain civil chemicals that could be misused to make chemical weapons, a step followed by other countries. A further stage in the Geneva negotiations was the United States' comprehensive draft treaty tabled in April 1984. The Soviet Union had yet to state its position on a

number of verification issues, although it had accepted the principle of on-site inspection of chemical weapon stockpile destruction.

Future Negotiations

Although the prospects for future arms control were difficult to predict, the White Paper adds: 'The agreement between the United States and Soviet Union to open negotiations on nuclear and space arms offers grounds for hope that they will find a way forward on these issues. But resumption of dialogue should not be confused with imminent agreement. In these and other areas major difficulties remain. The need for Western patience and perseverance will be as great as ever. So too will be the need for the West to demonstrate its clear determination to avoid unilateral gestures at the expense of our security. Instead we must continue to pursue the path of balanced and verifiable measures of arms control and disarmament. That is the best way to a safer world.'

Britain's NATO Commitment

The White Paper emphasises that the North Atlantic Alliance, which remained the foundation of the West's security policy, had been instrumental in maintaining peace and security in the Treaty area for more than 35 years. Its key principle that an attack on one member would be considered an attack on all had provided far greater security than any member could have achieved alone. The Soviet Union and its Warsaw Pact allies, their policies and their military capabilities, still posed the main threat to Britain's security, and British policy was to concentrate its defence effort within the Alliance on the ways that could best contribute to its strength and to British security.

Britain committed the vast majority of its forces and some 95 per cent of its defence budget directly or indirectly to the Alliance, was the only European nation contributing to all three elements of NATO's forces – strategic nuclear, theatre nuclear and conventional – and provided forces for all three major commands – the Atlantic, Europe and Channel.

The Alliance's European Pillar

Europe bore a substantial share of the overall Western defence effort and, in the field of conventional defence in Europe, rightly assumed by far the greater responsibility. While shortcomings in NATO's defence in some areas were recognised, these were being tackled determinedly with Britain playing its part. Between 1971 and 1983 the defence expenditure of the European allies had increased by 27 per cent in real terms, with an annual average increase of over 2 per cent. As a result, European countries were providing the major part of the ready forces stationed in Europe: 90 per cent of the manpower, 85 per cent of the tanks, 95 per cent of the artillery and 80 per cent of the combat aircraft; and over 70 per cent of the major warships in Atlantic and European waters (85 per cent of all warships). It also provided a major part of the Alliance's military hardware (60 per cent of all its combat aircraft and tanks, for example) even though Europe's gross domestic product was less than half of the NATO total. The full mobilised strength of European forces was nearly 7 million men as against 3·5 million for the United States. Moreover, the European contribution was not static since improvements and new equipment were being introduced, many as a result of collaborative programmes.

The European countries also contributed most of the funding of NATO's infrastructure, providing two-thirds of the £6,000 million programme approved in December 1984 – the cost of which was in itself double that of the previous programme; provided land and installations – generally free of charge and worth over $10,000 million in Britain and the Federal Republic of Germany – as well as services for allied forces; and played a full part in international peacekeeping (in Cyprus, in Lebanon and on the Israel-Egypt frontier), in providing military training assistance to friendly countries in areas such as the Gulf and the Caribbean, and in giving official development aid to developing countries.

European Co-operation

The White Paper notes that the substantial European contribution made to collective security could be further strengthened and made more cohesive by greater co-operation. To facilitate this, Britain was playing a leading role in the work of NATO's Eurogroup, the main forum for practical co-operation by all European members of the Alliance except France and Iceland; in the Western European Union, which provided a forum for European political debate about matters affecting defence and security (see pp 402-4, 1984); and in the Independent European Programme Group (IEPG) which, consisting of all European members of the Alliance except Iceland, discussed co-operation in the development and procurement of defence equipment.

Despite problems, there had been a creditable history of successful co-operation in equipment procurement between NATO partners over some 20 years. Britain was involved in many such projects, including the FH70 howitzer (with the Federal Republic of Germany and Italy), the Scorpion reconnaissance vehicle (with Belgium), the Tornado aircraft (with the Federal Republic of Germany and Italy), the Anglo-French helicopters (Lynx, Gazelle and Puma) and, with various countries, the Martel air-to-surface, Milan anti-tank and Sidewinder air-to-air missiles. In 1984, agreements were reached with France, the Federal Republic of Germany and Italy regarding the production of the multiple-launch rocket system, and the Anglo-Italian EH101 helicopter was now in full development. Britain was also participating in feasibility studies for a new NATO frigate and for a European fighter aircraft for the 1990s, with seven and four other countries respectively. While these achievements were commendable, rising costs and increasing technological complexity made more systematic and regular co-operation essential and, at its first meeting at full defence minister level in November 1984, the IEPG had agreed to a number of measures to facilitate this. The full benefits of these would take some years to be seen, but if pursued vigorously, they should enable Britain to make better use of its financial and industrial resources to meet the equipment needs of the armed forces and enable the Services to take advantage of greater commonality with their allies. Moreover, a stronger and more cohesive European industry would contribute to the strength of the Alliance as a whole and enable Europe to co-operate more effectively on level terms with the United States.

Forces and Equipment

Britain's military contribution to NATO, the White Paper indicates, remained concentrated in four areas: the provision of independent strategic and theatre nuclear forces; the direct defence of Britain; the forward defence of Europe on the mainland; and the protection of the reinforcement and resupply routes in the Eastern Atlantic and Channel.

Nuclear Forces

Britain's nuclear forces were assigned to NATO, although they were at all times under British control and capable of being employed independently when supreme national interests were at stake. While these forces represented only a relatively small proportion of the Alliance's total nuclear forces, they were none the less capable of inflicting unacceptable damage on a potential aggressor. By complicating Soviet calculations about the likely Alliance response to any aggression, they made a contribution to deterrence that far outweighed their numerical significance.

Britain's strategic nuclear force of four Polaris submarines had provided since 1969 a continuous independent deterrent, and measures had been taken – the fitting of new missile motors and the Chevaline programme which had improved Polaris' ability to penetrate Soviet anti-ballistic missiles without an increase of warheads – to ensure that the force would remain effective into the 1990s until its replacement by the Trident force of four submarines (see below).

Britain also contributed a variety of nuclear weapon systems to NATO's theatre nuclear forces. Eight squadrons of Tornado GR1, two of Buccaneer and one of Jaguar aircraft were operational in the strike/attack role in Britain and the Federal Republic of Germany, although the Jaguars would be withdrawn by the end of 1985 and replaced by a ninth Tornado squadron. Although the prime role of these aircraft was conventional, they were also capable of delivering nuclear bombs, as were Sea Harriers in service with the Royal Navy's *Invincible* class of aircraft carriers. Similarly, shipborne anti-submarine helicopters could carry nuclear depth bombs. In addition Britain, with other NATO countries, operated a number of weapons for which nuclear warheads were provided by the United States.

Defence of Britain

While the forward defence of Britain derived in the first place from British forces in Europe and the Eastern Atlantic, the British Government had devoted in recent years substantial and growing resources to the defence of Britain itself. The protection of the homeland had to lie at the heart of Britain's defence policy, but its importance went beyond even the fundamental need to protect the country and its people. It was an essential base for the support of NATO forces operating in the Eastern Atlantic and the North Sea; a main base for operations in the Channel; and a support base for both British and United States forces stationed on the European mainland and for those who would reinforce NATO in tension or war.

The improvements in Britain's air defence, described in the 1983 statement (see p 258, 1983), were progressing, including the acceptance into service of the Tornado F2 air-defence aircraft (seven squadrons are planned); the continuance in service of two squadrons of Phantoms, to be armed with improved weapons to ensure that they would remain potent air-defence aircraft in the late 1980s and 1990s; and the introduction of Phantom F4J aircraft bought from the United States Navy to make good the temporary shortfall in air-defence aircraft following the deployment of Phantoms in the Falkland Islands. In addition, the programme to equip 72 Hawker trainer aircraft with Sidewinder missiles provided a valuable enhancement to air defence at relatively low cost, and improvements to the RAF's tanker aircraft were aimed at increasing the intercept range of shore-based fighter aircraft. Modernisation of the complex of ground radars and command, control and communications systems for air defence in Britain (UKADGE) was progressing, and improvements to surface-to-air weapon capabilities were in hand. With regard to the Nimrod airborne early warning (AEW) aircraft, this was now expected to become operational in 1987 and would be Britain's contribution to NATO's AEW force.

Also important to the defence of Britain was the ground defence of vital installations against the threat of specially trained sabotage troops. The Home Defence Force would have an important role here in guarding lower priority potential targets in time of tension or war, thereby releasing more highly trained units for other tasks. There would be over 100,000 servicemen available on mobilisation for military home defence.

To counter the mining threat posed by the Soviet Union to naval and merchant shipping around Britain, 12 Hunt and River classes of mine countermeasures ships were now in service, and a further 11 more were planned to enter service by 1987. The tender for the first of a new class of minehunters to tackle the Soviet Union's most modern sea mines had been invited. These would be equipped with a new generation of variable depth minehunting sonar.

Defence of Europe

Central Region. The White Paper stresses that, because the Warsaw Pact would have the initiative in choosing the timing and concentration of any attack on the European mainland, NATO needed both strong and balanced forces to deter and, if necessary, repel any attack at short notice, together with the means to reinforce quickly and effectively its defences. The British Army on the Rhine (BAOR) comprised a major combat unit and logistic support, and its peacetime strength of 55,000 (56,000 by the end of the 1980s) could rise rapidly to 150,000 in time of crisis. Consisting of three armoured and one infantry divisions the force provided visible evidence of Britain's commitment to the defence of the Federal Republic of Germany, thereby fulfilling its primary purpose of deterrence. This capability would be enhanced in the late 1980s by the introduction of new equipment, the creation of more front-line units, the expansion in the number of armoured regiments to 12 (compared with eight in 1980), and the addition of a third air-defence regiment, to be equipped with a new missile system, to the existing regiments already being equipped with improved versions of Blowpipe (called Javelin) and Rapier. Because BAOR stood astride an area where a massive armoured threat was to be expected, its Chieftain and Challenger tanks were to undergo progressive improvements, including new gun sights, fire-control systems, and, for the longer term, the development of a 120mm high-pressure gun and new

ammunition. The Milan anti-armour missile, the long-range tracked anti-tank Swingfire system and the anti-tank missile (TOW) carried by helicopters were also being improved, and research and development on successors to these systems was being undertaken with France and the Federal Republic of Germany. Other improvements included the introduction of the Saxon armoured personnel carrier and trials of the MCV80, another armoured personnel carrier, which would enhance the mobility of infantry; the development of the multiple-launch rocket system and the SP70 self-propelled gun; and the entry into service of the tracked air-defence Rapier system. A large-scale investment was being made in the area of the Army's command, control and communications: the Ptarmigan secure communications system and the Wavell computer-assisted tactical command and control system were coming into service, and the BATES computer-based artillery targeting system was planned to enter service toward the end of the 1980s.

The strike/attack and reconnaissance forces of RAF Germany were being improved by the introduction of eight Tornado squadrons to replace the Buccaneer and Jaguar aircraft: five squadrons of Tornado GR1 strike/attack aircraft were already in service, with two more being formed (one in 1985 and the other in 1986). Equipped with advanced radar, avionic and weapons systems, these aircraft constituted a major improvement in NATO's ability to penetrate the Warsaw Pact's defences and hit targets behind the front line. The eighth squadron of reconnaissance Tornados would be formed later in the decade. Tornados would carry from the end of 1985 the JP233 airfield-attack weapon and, from the late 1980s, the air-launched anti-radiation missile (ALARM) system. They were assisted by two squadrons of Harrier GR3 aircraft – to be replaced in the late 1980s by an improved version, the Harrier GR5, for close support of the Army – and two air-defence Phantom squadrons. There were also two squadrons of helicopters providing logistical and tactical support for BAOR while RAF Regiment units equipped with Rapier surface-to-air missiles provided ground defence at RAF Germany's four airfields.

Northern Region. Britain committed substantial resources to the defence of NATO's northern flank which was of vital importance to the integrity of the Alliance and to the conduct of maritime operations in the Norwegian Sea and Atlantic as well as to the defence of Britain. Britain provided the shipping and a Royal Marines brigade for a British-Netherlands amphibious force for early use in a time of tension or war to reinforce Norway, the Baltic approaches or the Northern Atlantic islands. A mobile force for rapid deployment to the Northern Region was being maintained, as were Jaguar fighter-bomber and reconnaissance aircraft based in Britain. Other Harrier and Tornado aircraft, as part of NATO's strategic reserve, and Jaguars and an infantry battalion group as part of an allied mobile force were also available for deployment.

The Eastern Atlantic and Channel

Britain provided 70 per cent of the ready NATO maritime forces deployed to safeguard the reinforcement and resupply routes through the Eastern Atlantic and Channel, a huge expanse stretching from the Straits of Gibraltar to beyond the tip of north Norway. To exercise sea control and undertake amphibious operations, Britain's naval and maritime air forces required a balanced fleet embracing a wide range of capabilities. In anti-submarine warfare (ASW) the role of the nuclear-powered Fleet submarines would be crucial, as their capability and relative immunity to counter-attack made them extremely potent and cost-effective. Thirteen were now in service with four more under construction or on order. The new Type 2400 diesel-electric conventional submarine – the first of which was under construction – would carry similar weapons and sensors to those of the Fleet submarine and would have a powerful capability against surface ships and against other nuclear and conventional submarines. Surface ships also made an important contribution to the ASW role. By early 1986 the third *Invincible*-class carrier, HMS *Ark Royal*, would be in service, enabling the Royal Navy to maintain two modern carriers in operation at any given time.

In 1985 there would be 53 front-line destroyers and frigates in the operational fleet. In the longer term, however, the number would fall to about 50. Fourteen multi-role Type-22 frigates, containing advanced ASW equipment, were planned, the last two having been ordered in January 1985. The new Type-23 frigate class, of which one had been ordered, would form the backbone of the Royal Navy's ASW surface fleet in 2000, and would be equipped with towed-array sonar to detect low-noise submarines, the EH101 anti-submarine helicopter equipped with Sting Ray torpedoes, Harpoon and Sea Wolf missiles, and an advanced command system. Various improvements to the Sea Wolf air-defence missile system for the Type-22 and Type-23 frigates and to the Sea Dart system were being carried out, and fleet air defences were being enhanced with the fitting of the Phalanx close-in weapons system in the *Invincible*-class carriers, the introduction of the Goalkeeper close-in weapon system in the Type-22 frigate, and improvements to electronic warfare equipment to counter the threat posed by sea-skimming missiles. In addition, the Sea Harrier force was being strengthened (nine more having been ordered) and equipped with new radar and the capacity to carry the advanced medium-range air-to-air missile (AMRAAM). The second-generation surface-to-surface guided weapon for the Type-22 and Type-23 frigates was to be the Harpoon. In the anti-ship role, the RAF contributed two squadrons of strike/attack Buccaneers, to be equipped in 1985 with the Sea Eagle missile, and the modernisation of the Nimrod maritime reconnaissance aircraft was nearing completion.

Personnel

The regular armed forces totalled 326,900 personnel in January 1985, of whom 70,600 were in the Royal Navy and Royal Marines, 163,000 in the Army and 93,200 in the Royal Air Force. Reserve forces totalled 289,600, of whom 203,300 were regular reserves and 86,300 volunteer reserves and auxiliary forces. Cadet forces numbered 139,100.

The volunteer reserves, the White Paper notes, had an important role to play in Britain's defence effort. The Territorial Army, which constituted a vital reinforcement force, was to be expanded to 86,000 by 1990, while the Home Defence Force, designed to provide guard forces for lower priority potential targets in time of tension or war, was being increased initially

to a strength of about 5,000. On mobilisation, the regular reserves would comprise 30 per cent of the Army's strength and, it was planned, some 12 per cent of the Royal Navy's wartime manpower. The Royal Auxiliary Air Force had expanded considerably in recent years with six new Auxiliary Field Squadrons having been formed; once resources were available an operational helicopter squadron would be formed.

Since 1979 the number of civilians employed by the Ministry of Defence in Britain had been reduced by some 73,000 to 174,700. This reduction included 19,000 civilians employed by the Royal Ordnance Factories which became an independent company in January. It is expected that civilian manpower employed by the Ministry of Defence will fall to 169,000 by April 1988.

Beyond the NATO Area

British defence policy had to be set in the wider context of Britain's international security objectives, including the defence of the remaining dependencies. The prosperity and security of both Britain and the West depended upon a complex framework of relations between the developed, free economies and with others in less prosperous and stable regions. Since no Western country could dissociate itself from a share of the responsibility for sustaining that framework, Britain retained defence facilities in such strategic locations as Cyprus, Ascension Island and Diego Garcia, committed naval forces in areas such as the Arabian Sea and the Caribbean, and maintained military deployments and exercises throughout the world. In the first instance, however, Britain's aim was to bring diplomatic and economic efforts to bear in areas of potential instability so as to maintain peace and combat the activities of the Soviet Union and its proxies. Direct intervention to defend its legitimate interests, either alone or with its allies, would always be a last resort. Should there be no alternative, however, Britain was enhancing its ability to operate in distant theatres by improving air-to-air refuelling facilities and the out-of-area capabilities of an airborne brigade.

The most substantial British military presence outside the NATO area consisted of the garrisons in the Falkland Islands, Hong Kong, Belize and Brunei. The Falklands force was maintained at the minimum size necessary to defend the Islands and South Georgia and the South Sandwich Islands, although it had been possible to reduce numbers steadily: the opening in May of the main runway at the new Mount Pleasant Airport would greatly improve rapid reinforcement capability and, once the airport and garrison facilities were completed, the level of forces permanently stationed on the Islands could be reduced still further.

Military Assistance Overseas

The White Paper points out that Britain had long provided military training and advice to many states, particularly in areas of the world where Britain had traditional ties, the aim being to help its friends and allies outside NATO to develop their forces in order to maintain their own security and to contribute to regional stability. Although much of this was made available on repayment, in many cases it was subsidised by the British Government. The scale of assistance had grown in recent years and there were now well over 1,000 servicemen either on loan to 30 overseas countries or undertaking the training of students (3,700 in 1983-84) from over 70 non-NATO countries. In addition, expert teams paid numerous short-term advisory visits.

Although the nature of assistance varied widely, a typical example was the provision of self-contained advisory teams concentrating on the development of one or more aspects of military organisation and training. One particularly successful example was the team in Zimbabwe which, since that country's independence in 1980, had assisted in building up an efficient, disciplined and unified national army by bringing together separately organised armed groupings. Because of its success the team had been asked to take on new training tasks, and was now the only foreign military training team in the country. A similar effort was being undertaken by a smaller team in Uganda, while other teams had helped with the formation of the new Gambian army, the establishment of the first staff college in Bangladesh and the setting-up of the Barbados coastguard. Advice had also been given to Singapore and Kenya on the operation of air defence systems and a Royal Marines team had run training courses for personnel from six countries participating in the Eastern Caribbean Regional Security System. Training in Britain ranged from high-level courses at the Royal College of Defence Studies and the staff colleges to those involving highly technical skills such as advanced engineering and electronics.

Northern Ireland

The White Paper points out that the task of assisting the Royal Ulster Constabulary to enforce the rule of law in Northern Ireland made unique demands on the armed forces. Although the Royal Ulster Constabulary was firmly in charge of operations against terrorist crime and its strength and capability was increasing, the time when it could operate without any military support was still some way off. The price of the forces' involvement had been high, since 527 soldiers had lost their lives between 1969 and the end of 1984.

Aid to the Civil Community

Outside Britain, the Services assisted famine relief operations in Ethiopia (see p 18) in 1984-85. A detachment of two RAF Hercules aircraft, with 60 RAF and five army personnel, were sent to help move large amounts of relief aid to famine-stricken areas in the north and north-west of the country. During the three months beginning in November 1984, the detachment air-landed 14·5 million lb of cargo, the operation requiring extensive use of rough landing strips in formidable terrain over 7,000 feet above sea level. At the start of the fourth month, and before the onset of the wet season, the aircraft dropped supplies from 50 feet on mountainous dropping zones located up to 9,000 feet above sea level; in the first two weeks alone, this method of delivery enabled the detachment to provide one million lb of relief supplies for particularly remote and inaccessible communities. The speed and efficiency of the British team's contribution had won widespread praise from relief organisations and the Ethiopian Government.

In Britain, outside Northern Ireland, bomb disposal teams responded to 5,000 calls for assistance in 1984. Similarly, Royal Navy and Royal Air Force search and rescue teams rescued or assisted 1,052 people.

Finance and Defence Management

Britain spent more on defence in absolute terms and *per capita* than any other ally, except the United States. As a percentage of gross domestic product in 1984, British defence expenditure was 5·3 per cent, the United States and Greece being the only allies with higher proportions.

The defence budget for 1985-86 was £18,060 million, a real increase of about 3 per cent over 1984-85, and one-fifth higher in real terms than in 1978-79 (excluding Falklands expenditure). With this increased provision, the Government aimed 'to consolidate and to use the additional resources to best advantage, by further improving the management of defence and by increasing efficiency in the front line'. The object of the efficiency programme was not just to save money but to get a higher proportion of servicemen into the front line by moving manpower and other resources from support areas.

Defence Sales

The Government, the White Paper points out, supported British firms in their efforts to sell defence equipment overseas, wherever this was compatible with wider political, strategic and security interests. With a share of just over 6 per cent in the world market, estimated receipts from sales in 1985-86 would be about £2,500 million.

ESSAYS

The White Paper contains a number of essays on defence matters, two of which are summarised below.

Trident

Outlining the case for Britain replacing its Polaris force with a force of four nuclear-powered submarines equipped with Trident ballistic missiles, the White Paper points out that deterrence is a matter of perception by a potential aggressor. 'The key factor is the Soviet perception of the United States' willingness to hazard its own territory and citizens for the sake of its allies. In certain circumstances, the Soviet leadership might doubt this commitment and miscalculate the consequences of aggressive action against the democracies of Western Europe. Nuclear weapons in the possession of the United Kingdom greatly complicate the calculations of the Soviet leadership in assessing whether they could undertake such action without risking a nuclear conflict. This provides an essential element in the deterrent strategy of the NATO Alliance, and is welcomed as such by our allies, including the United States.'

In order to provide an effective deterrent, Britain's strategic nuclear force had to be certain of inflicting an unacceptable level of damage on the Soviet Union, be capable of posing a credible threat to key aspects of Soviet state power, and of posing such a threat at all times. There could also be no possibility of the force being neutralised by a pre-emptive or surprise attack. This required the force to be virtually invulnerable to detection – hence the choice of the submarine as the launch platform.

The choice of weapon system lay essentially between ballistic or cruise missiles. The latter, however, while a useful element of a varied nuclear deterrent force, suffered from a number of disadvantages for a small force of last resort. They were more vulnerable to Soviet defensive systems and, with a considerably shorter range than ballistic missiles, the submarines carrying them would have far less searoom in which to hide and would therefore be less difficult to detect and destroy. Moreover, cruise missiles had only one warhead. Consequently a large number would be needed to provide a deterrent comparable to that of a much smaller number of multi-warhead ballistic missiles. Such a force would require more submarines, the single most expensive element of the British deterrent.

The choice of the Trident D5 ballistic missile system enabled Britain to take advantage of the very advanced technology developed by the United States and there were major operational and financial advantages in buying a missile that would be entering service with the United States Navy in the same timescale. Although more expensive than the Trident C4, running costs would be lower because of access to United States logistical support. The D5 also offered the best prospects of being able to penetrate Soviet anti-ballistic missile defences, had a greater range and accuracy than Polaris, and was capable of carrying more warheads.

Trident's greater range and accuracy compared with Polaris, plus its ability to carry more warheads, had given rise to suggestions that Britain was acquiring a 'first strike' capability. This concept, the White Paper emphasises, played no part in the thinking of Britain, the United States or NATO. 'A successful first strike could not, in any case, be achieved by either NATO or the Soviet bloc, because it would be impossible to detect and destroy pre-emptively even a major part of the mobile and submarine-launched systems available to both sides. For the United Kingdom acting alone, a successful first strike would be impossible even against just the Soviet silo-based inter-continental ballistic missile force, which includes a far greater number of missiles than the number of warheads available to this country.'

Trident's advantages over Polaris were essential in order to overcome improvements in Soviet capabilities and to maintain the same threat in deterrence terms as previously posed by Polaris. Nevertheless, Britain's deterrent force would continue to rest on the ability to maintain only one submarine on patrol at all times and would remain the minimum size compatible with cost-effectiveness and credibility.

Although Trident would undoubtedly cost a lot of money, it would consume only a small part of the real increase in the defence budget since 1978-79. The original estimate that it would account on average for only about 3 per cent of the defence and 6 per cent of the equipment budget during the procurement period remained substantially unchanged. In addition, running costs would be comparatively small since it would employ only a relatively small number of servicemen.

The White Paper emphasises that the possession of Trident did not call into question the Government's firm commitment to the pursuit of balanced and verifiable measures of arms control and disarmament. Since, however, the vast majority of the world's nuclear weapons were in the hands of the two superpowers, their arsenals had to be the first priority for reductions. 'Although Trident will represent a minimum independent deterrent capability for the United Kingdom, we have not said that it would never be relevant to arms

control. On the contrary, we have made it clear that if Soviet and United States strategic arsenals were very substantially reduced, and if no significant improvements had occurred in Soviet defence capabilities, we should want to review our position and consider how best we could contribute to arms control in the light of the reduced threat.'

NATO Strategy

In a separate essay on NATO's strategy of flexible response, the White Paper points out that it is reactive, threatens no one and is primarily aimed at preventing war by maintaining sufficient conventional and nuclear forces to deter aggression and intimidation. Three key principles underlay this strategy, namely a *manifest determination* to act jointly and defend the treaty area against all forms of aggression; a *recognisable capability* to respond effectively at all levels of aggression and to escalate, if necessary, to convince the aggressor that he had miscalculated NATO's resolve and should withdraw; and a *flexibility* that would prevent the Soviet Union from predicting with confidence NATO's specific response to aggression and would lead the Warsaw Pact to conclude that any attack on the West would expose it to unacceptable risks.

These three principles were built on a combination of political will and a military posture comprising three visible and credible elements – sufficient conventional forces to deter, and, if required, to counter as far forward as possible, a Soviet non-nuclear attack; theatre nuclear forces to provide a link between conventional and strategic nuclear forces, to give flexibility for options short of a strategic exchange and to deter an attack by theatre nuclear forces; and strategic nuclear forces to provide the ultimate deterrent with the ability to inflict unacceptable damage on the Soviet Union even after a Soviet pre-emptive first strike. For the last there was no substitute for the United States strategic guarantee nor, if it was to remain credible, for linkage with a strong United States conventional and theatre nuclear presence in Europe. Without this range of forces there was a risk that the Soviet Union might calculate that it could escalate any conflict to a level at which the Alliance had no credible response. Effective deterrence required a full range of military options and all elements of the triad were essential.

Flexible response did not commit NATO to respond to an attack in a pre-ordained way, conventional or nuclear, nor did it require NATO to match the Warsaw Pact system for system. There was also no absolute nuclear threshold in the sense that a nuclear response would automatically follow from a given level of conventional attack. 'NATO's possession of nuclear weapons does not mean that, if deterrence failed, they would necessarily be used; still less does it mean that NATO strategy is based on the intention of fighting and winning a nuclear war. The Allies need no convincing that there would be no winner in such a war. It does mean, however, that the Soviet Union must reckon with the possibility that NATO would be prepared, if necessary, to use nuclear weapons in self-defence.'

The strategy was not an offensive one since it did not encompass any concept of a pre-emptive first strike designed to eliminate Warsaw Pact nuclear forces, or imply a commitment to the early use of nuclear weapons. 'But NATO cannot willingly concede territory in order to buy time; nor can it afford to see an extensive and protracted war, whether conventional or nuclear, fought over its own territory. The Alliance must demonstrate to the Soviet leaders that they could not undertake aggression against NATO territory without putting their own homeland, their forces and those of their Warsaw Pact allies at risk. NATO has long possessed the capability to strike deep into enemy territory if attacked; it would be a serious abdication of responsibility by Alliance governments were they to renounce this capability. But unless aggression were committed against a member of the Alliance, none of NATO's forces, whether conventional or nuclear, would ever be used.'

Alternative Strategies

Examining suggestions for alternative strategies, the White Paper emphasises that the key question to be asked was whether the Soviet Union would consider the risks associated with aggression to be increased or decreased if NATO were to change from flexible response.

The option of social defence through passive resistance, civil disobedience or guerrilla warfare, although radical, would be unlikely to provide a convincing deterrent since it could only take effect after occupation by the aggressor. It would allow individual nations to be picked off individually, would provide no defence, for example, against a blockade designed to starve Britain into submission, and would not be viewed by the Soviet Union as any demonstration of Britain's or NATO's will or capability to resist attack. It would therefore be irresponsible of the Government to rely on such measures.

As for the view that unilateral nuclear disarmament by Britain would underline its peaceful intentions and prompt others to follow its example, the White Paper says: 'There is no evidence to support this view. On the contrary . . . history shows that by one-sidedly reducing our defence capabilities we increase the risk of war. Disarmament must be equitable and multilateral if it is to enhance rather than decrease our security.' Deterrence would also be weakened if the West abandoned particular elements of its nuclear armoury such as battlefield nuclear weapons, since such changes could only be made if they did not open up gaps in NATO's capabilities that the Warsaw Pact might feel it could exploit to its advantage.

The concept of nuclear-free zones in Europe, the White Paper says, failed to take account of the fact that the territory of the zone would remain under threat from long-range weapons located outside it (for example, SS20 missiles based east of the Urals). In addition the mobility of modern missile systems meant that they could be rapidly redeployed in a period of tension, this being easier for the Soviet Union than for the West. The Soviet Union could also bring its conventional superiority to bear in such zones with less risk of provoking an escalation in the conflict, and deterrence against the outbreak of hostilities would be weakened. 'Geographical redistributions of nuclear weapons are no substitute for their overall reduction and ultimate elimination through balanced arms control agreements – an aim to which NATO remains fully committed.'

The call for a 'no first use' of nuclear weapons undertaking by NATO, the White Paper points out, ignored the fact that the Allies had a comprehensive

commitment that none of their weapons would be used except in response to attack. Limiting such an undertaking to nuclear weapons would reduce the risks to be taken into account by the Soviet leadership when contemplating, in a crisis, launching a conventional attack from a position of Warsaw Pact superiority in conventional forces. 'It strengthens deterrence that the Warsaw Pact is not allowed to believe that a limited conventional war could be fought in Europe without involving a risk of nuclear conflict. This does not, of course, mean that the Alliance is committing itself in advance to the use of nuclear weapons in response to attack: it is simply keeping its options open, to increase the uncertainty in the mind of the potential aggressor and hence increase deterrence.'

Noting that some people argued that intermediate-range nuclear forces and any other short-range deployments were unnecessary for the West and undesirable because they might lead to limited nuclear war and that the West should rely entirely on the United States' strategic nuclear defences, the White Paper observes that this would imply a return to the old strategy of tripwire, would weaken the United States-Europe link and would pose the difficulties for deterrence that had led to the abandonment of the original strategy in the 1960s.

In response to the suggestion that it would be possible to counter the Warsaw Pact threat by conventional weapons alone, the White Paper supports the view that no amount of improvement in conventional weapons could protect the West from nuclear blackmail by a Soviet Union with a nuclear monopoly. It also points out, in answer to those who emphasised the desirability of NATO's forces being seen to be entirely defensive, that a clear-cut distinction between offensive and defensive systems did not exist and that there was little or no historical evidence to show that non-offensive defence alone deterred aggression. 'Such a strategy would reduce the risk for a potential aggressor by making his territory, in effect, a sanctuary.' If faced with a threat of retaliation, an aggressor would be likely to be far more reluctant to embark on aggression.

British-Chinese Relations

The strengthening of economic relations was a major theme of discussions between Britain and the People's Republic of China which took place during a visit to Britain by the Chinese Prime Minister, Mr Zhao Ziyang, between 2 and 8 June. Two agreements were signed on economic co-operation and on co-operation in the peaceful uses of nuclear energy.

During his visit, Mr Zhao, accompanied by the Chinese vice-prime minister and the Chinese foreign minister, toured British Aerospace, at Hatfield, Hertfordshire, and also new technology firms in Scotland. Mr Zhao's visit followed two visits to China by the Prime Minister, Mrs Margaret Thatcher, in 1982 and 1984 to discuss the future of Hong Kong (see pp 320-1, 1982; pp 16-17).

Prime Minister's Speech

Speaking at a dinner on 3 June welcoming Mr Zhao, Mrs Thatcher said that Britain's contacts with China were expanding at a remarkable rate. Total trade had more than doubled between 1982 and 1984 (see p 186) and the number of Chinese visitors coming to Britain had increased.[1] Referring to the agreements on nuclear and economic co-operation, the Prime Minister noted that the two countries were building a framework of bilateral agreements, and exchanges in the fields of science, education and culture were more extensive than ever. Millions of Chinese were learning English from the British Broadcasting Corporation, and many British teachers and young people undertaking voluntary service were engaged in full-time language teaching in China. These examples illustrated a relationship which already had more substance than before, was enjoying vigorous growth, and was deeply rooted in the belief that such growth benefited both countries.

Mrs Thatcher observed that the Chinese Government was pursuing the policies of invigorating the national economy and of opening the country to the outside world. Britain was very well placed to contribute to China's modernisation programme. Its experience in energy, communications, transport, industrial innovation, information technology and management consultancy matched China's priorities, and it was ready to reach agreements with China on the transfer of technology.

Referring to the Joint Declaration on the future of Hong Kong (see pp 16-17), which was now in force following its ratification in Peking on 27 May, Mrs Thatcher said that it provided a firm basis for Hong Kong's prosperity and stability. Britain would faithfully and fully implement its provisions in the confidence that the Chinese Government would do the same.

Mr Zhao's Reply

Although Britain and China were separated geographically, socially and culturally, Mr Zhao said that there was no conflict of fundamental interest between the two nations, rather a sharing of many interests in the endeavour for a world of prosperity and peace. The Chinese Government attached great importance to Sino-British relations, one of its firm policies being their continuing consolidation and development. He believed that the two countries would continue working in close co-operation in carrying out all the provisions of the Joint Declaration on Hong Kong and thus ensure its smooth implementation and the maintenance of Hong Kong's stability and prosperity. China was also ready to develop economic and technological co-operation and trade with Britain, as well as increase its cultural and other exchanges. The successful visit to China in March of a British trade delegation had indicated great potential for more economic co-operation through joint efforts based on mutual benefit and reciprocity (see below).

Bilateral Co-operation Agreements

On 3 June the Prime Minister and Mr Zhao signed two agreements, one on economic co-operation and the other on the peaceful uses of nuclear energy. The agreement on economic co-operation, which replaces

[1] The number of visas issued by the British embassy for Chinese visitors to Britain was 3,096 in 1982 and 5,872 in 1984.

one concluded in 1979 (see pp 328-9, 1979), will last at least until the end of 1990 and provides for the strengthening of economic ties. The other agreement is designed to lead to co-operation on the peaceful uses of nuclear energy in certain specified non-sensitive areas which could be extended by agreement. It provides a framework within which the British nuclear industry can promote its expertise in China's development of its own civil nuclear power programme. These two agreements are the latest in a series, others having been concluded on promoting regular scientific and technical exchanges, on space co-operation (signed in January) and on double taxation. Negotiations on an investment promotion and protection agreement are in progress.

Trade

Although small, Sino-British trade has increased in recent years after the adoption by China in 1979 of an open-door policy on trade with Western industrial countries designed to help it to modernise its infrastructure, agriculture and industry. Since 1979, China's foreign trade has increased from over $29,000 million to nearly $50,000 million in 1984. In addition efforts are being made to attract foreign investment in joint ventures and to acquire foreign technology through licensing agreements. Although 14 coastal cities have recently been identified as priority centres for such investment, inland areas and four coastal special economic zones also wish to attract foreign capital.

British exports to China rose from £103 million in 1982 to £317 million in 1984, the latter total including an exceptional shipment of silver valued at £82·6 million. Major exports to China include chemicals, specialised and electrical machinery, transport equipment and scientific instruments. Imports from China rose from £193·2 million to £278·5 million in the same period, the major elements being textiles and clothing, foodstuffs and agricultural products and light industrial products.

Recent Contracts

British firms have been involved in the key areas of energy, transport and communications in China's modernisation programme. BP and other British oil companies are playing a leading role in China's offshore oil exploration programme, and in coalmining Shell Coal International are co-operating with China on a major feasibility study concerning a new coalmine development in Shandong province. The National Coal Board, with financial support from the British Government, is carrying out a consultancy on a coal-mine modernisation project in the Hebei province east of Peking. Further opportunities in the field of energy involve negotiations on the construction of a nuclear power station in Guangdong province and prospects for co-operation with China in plans for coal-fired power stations. Recent contracts in energy have included the supply by Rolls Royce of three 12,000 kW gas turbines valued at £15 million for an oilfield development in north-east China. Kane-May Ltd has gained two contracts for the supply of combustion analysers and digital infra-red thermometers designed to monitor the temperature and composition of boiler-flue gases, and to help achieve savings in fuel costs by enabling fuel-air ratios to be adjusted for maximum efficiency. Another agreement includes the transfer of technology to enable China to manufacture and, from 1990, export mine-dust extraction equipment.

In contracts worth over £60 million the British firm Aveling Barford of Lincolnshire is to provide 160 dump trucks for the Chinese ministry of railways and has signed an agreement allowing the building of a limited number of these trucks by a Peking company over the next seven years. Britain is also participating in China's air transport plans: Airbus Industrie, the European company in which British Aerospace has a 20 per cent share, is building three of its A310 228-seat, wide-bodied aircraft for China's Civil Aviation Administration. British Aerospace is also supplying ten of its 146 airliners in a contract worth $150 million, and Short Brothers is providing eight of its SD 360 commuter aircraft.

During a high-level trade and business mission to China in March, led by the Minister without Portfolio, Lord Young, commercial agreements were signed with the Chinese Government under which Cable and Wireless plc is to establish a joint venture on the development of a telecommunications system for the whole of the Yangtze delta region, involving capital expenditure of $500 million over the next five years, and the provision of modern telephone facilities in the Pearl river delta. A telecommunications technology centre, with conference, office and hotel facilities, is also to be built in Peking. Other recent joint ventures include the agreement under which the thread and textiles company Tootal is to produce spun polyester thread in a factory outside Canton, and Pilkington Brothers plc is to build a float-glass factory in Shanghai. One of the biggest potential opportunities for British firms arises from the feasibility study being made by Balfour Beatty and Davy McKee into the possibility of building a new industrial town with a projected population of 250,000 at Yang Fu on Hainan Island off the south coast of China, a place which has a good natural deepwater harbour and is close to recent oil and natural gas discoveries. The feasibility study is worth £2 million, but if the development proceeds, the total amount of work could be worth over £2,000 million.

Commonwealth Development Corporation

The annual report[1] of the Commonwealth Development Corporation (CDC), published in May, shows that the Corporation's new commitments in productive enterprises in developing countries were some £101·4 million in 1984. Actual disbursements amounted to £109·4 million. Total investment commitments at the end of the year were £838 million, of which £275·5 million was for basic development, including power and water, housing finance and transport; £429 million for primary production and processing; and £133·5 million for industry and commerce.

[1] *Commonwealth Development Corporation: Report and Accounts 1984.* Available on written request from the Corporation, 33 Hill Street, London W1A 3AR. ISBN 0 903799 17 0.

Established in 1948, the Corporation is a statutory body which encourages and supports economic growth in developing countries by investing in productive enterprises in the public or private sector. It undertakes investments either alone or in association with others – in 1984 approximately £295 million was contributed by other bodies and institutions in co-financing projects. The Corporation is required to pay its way and thus combines developmental objectives with a broadly commercial approach so as to provide a reasonable rate of return on its investments (since 1980, about 40 per cent of its investments have been financed from self-generated surpluses).

The Corporation receives most of its finance from loans at concessional rates of interest from the British Government's aid programme. Since 1969 it has been empowered to operate in certain non-Commonwealth as well as Commonwealth countries. It now operates in over 50 countries and is at present involved in some 230 projects. The value of the Corporation's investments by region is shown in the table.

CDC Investments by Area and Outstanding Commitments at end-1984

£ million

Area	Invested	Outstanding commitment
Caribbean and Latin America	76·9	51·1
Africa	300·8	107·2
Pacific Islands	57	17·3
Asia	152·7	71·6
Other Areas	3·4	—
Total	590·8	247·2

New Commitments

New commitments in 1984 totalled £101·4 million; almost three-quarters went to the poorest countries (as defined by the World Bank) and over one-half to projects in the renewable natural resources sector. During the year the Corporation intensified its efforts to promote and support projects which could earn or save foreign exchange for the host country, and to contribute towards measures being taken to increase local food supplies. In addition to the latter, there were commitments for the production and processing of palm oil, fish, bananas, citrus, confectionery nuts, rubber and timber; for the production of textiles, sawn timber, live yeast and flour; and for water supplies, a boatyard, railway rehabilitation, low-income housing, telecommunications, hydro-electricity generation, and two development finance companies in support of small- and medium-sized enterprises. Six of the new projects are to be managed by CDC, bringing the number of projects for which it has corporate management responsibility or is providing management services to 36.

For the first time, the Corporation invested in Sri Lanka with an £11 million commitment to support the development of a 4,500-hectare sugar-cane nucleus estate in the Moneragala district. The sugar factory is expected to produce 47,000 tonnes of plantation white sugar per annum for the local market and to provide employment for over 3,000 people. Other CDC investments in Asia included a £7·5 million loan commitment for an important new oil-palm venture in Sabah, Malaysia and a £5 million supplementary loan to a rubber smallholders aid scheme in Thailand (bringing the total CDC commitment to this project to over £18 million). In the Pacific Islands, an £8·75 million loan was provided for the Laloki river hydro-electric scheme in Papua New Guinea.

Among the Corporation's new commitments in the Caribbean and Latin America was a £9·1 million investment in a project to improve the water supply, sewerage and drainage system in and around the city of San Pedro Sula in Honduras. The project aims to eliminate water shortages and reduce flooding, and includes the construction and rehabilitation of 25 wells, the construction of 60 km of water distribution mains and reservoirs with a capacity of 30,000 cubic metres. The CDC also committed supplementary loans totalling £2·5 million (in support of a £5 million loan in 1980) to the construction of a shell dam and underground power station on the Humuya river, a project which will replace most of the thermal generating capacity in Honduras and substantially reduce the country's dependence on imports of oil.

To help alleviate the food crisis in Africa (see p 106) the Corporation was contributing towards measures to increase food supplies to the domestic market. In the last 12 months or so it had promoted and would manage two substantial projects in Zimbabwe and Tanzania to produce food exclusively for local consumption, and had agreed to participate in two others, in Kenya and Zambia, to be managed by British companies. The crops would include maize, wheat and soya beans; beef and dairy products; fruit and sugar. The projects would add to more than 100 natural resources projects in which the Corporation was involved around the world.

Of the 31 projects in 20 countries to which new commitments were made, 16 were in Africa. Among these was an £8 million loan for the future development of a 15,010 hectare rubber estate and associated smallholder scheme south of Kribi in Cameroun. In Malawi, a new commitment was made for an equity and £2·8 million loan investment in a tea and macadamia estate near Mzuzu. In Zimbabwe, investments included a £6·5 million loan to provide mortgage finance in association with a low-cost housing project.

The Crown Agents

Information about the work of the Crown Agents for Overseas Governments and Administrations in 1984 is contained in the Annual Report and Accounts published in May.[1]

The Agents, a statutory corporation, provide financial, professional and commercial services for almost 100 governments and over 300 public authorities and international bodies. These include procurement and engineering, money management and investment,

[1] Available from the Crown Agents, St Nicholas House, St Nicholas Road, Sutton, Surrey SM1 1EL.

recruitment, consultancy and training, shipping and insurance, negotiating contracts for the production and supply of currency and stamps and their sales for collectors, and help in administering Britain's bilateral aid to developing countries. They are also involved in other bilateral aid programmes as well as those of multilateral agencies; this work now represents a substantial component of their business.

Review of Activities in 1984

The value of new orders in 1984 was £142 million. As in other recent years the largest single category of orders was for transport equipment. The value of goods inspected was £134 million. Eighty per cent of this business was inspection of goods not procured through Crown Agents, a proportion which has risen sharply in recent years and confirms a demand for inspection services independent of the Agents' buying activity.

Funds managed by the Agents at the end of 1984 amounted to the equivalent of £1,100 million, representing the assets of financial authorities, pension funds and various special funds of more than 50 countries. The Agents continued to manage substantial deposits from clients which fund the various activities undertaken on their behalf. In addition they assisted clients to find sources of foreign exchange for purchasing and development programmes, in some of which the Agents acted as suppliers in their own right.

Against a general background of falling standards of living in the developing world, the existing trend towards increased activity in international aid continued, and the volume of business funded by developing countries' own resources lessened. Those of the Agents' services which concerned increased efficiency in the disbursement of aid showed significant growth, reflecting the organisation's role as an important element in Britain's contribution to the economic and social progress of the developing world. In 1984 the Agents administered 212 loans and grants with a value of £2,300 million on behalf of the British Government. Other services provided to the British aid programme included the purchase of £65 million of goods.

In Africa, in managing the disbursement of programme aid for international and some bilateral donors, the Agents undertook several important programmes aimed at rehabilitating food and other agricultural production in countries suffering from drought and famine (see pp 106-8). During the year, management contracts in Uganda, Sudan and Ghana were extended and a new contract for assistance in the management of the Nigerian fertiliser distribution programme was signed. The agricultural reconstruction programme in Uganda, initiated in 1982 and now nearing completion, was cited as a particularly successful model by the funding agency, the International Fund for Agricultural Development. In addition, a number of new projects were won in countries in Africa with few traditional links with Britain such as Mozambique, Angola, Ethiopia and Cameroun.

In Asia and the Pacific, the Agents' two business objectives of encouraging trade between developing countries and the bringing together of diverse services, particularly technical, procurement and financial expertise, both continued in 1984. For example, the Agents' longstanding involvement in helping to improve quality standards for rural handpumps in India was extended and expanded to include World Bank-sponsored field trials. They also signed a major contract for other types of inspection in India and Nepal. The Agents' activities in China experienced significant development, including assistance to the Shanghai Fisheries College in the drawing-up of a specification for the purchase of a computer-based fisheries simulator which was the basis of a World Bank tender; they also arranged a fish-product study tour in Britain for Chinese fisheries experts sponsored by the United Nations Economic and Social Commission for Asia and the Pacific.

Examples of work undertaken in the Middle East during the year included the completion of a water project in Jordan, an irrigation rehabilitation project in northern Sudan, an electricity corporation inspection in Saudi Arabia, the supply of a tsetse and trypanosomiasis project in Somalia and recruitment of staff for hospitals in Lebanon and Qatar. The Middle East continued to be an important focus for the development of training services and two further supply training courses were held in Bahrain for personnel from all the Gulf states. The World Bank-funded schools inventory project in the People's Democratic Republic of Yemen was also completed.

In the Caribbean and Atlantic the Agents' operations included procurement of agricultural equipment and supervision of the construction of fishing vessels in Guyana, road maintenance and rehabilitation projects in Barbados and Saint Lucia, construction of the western highway extension in Belize, a vehicle replacement programme in Saint Helena and inspection of electrical items in Trinidad and Tobago. British aid-funded work on the reconstruction of the Falkland Islands also continued in 1984.

Shorter Note

OVERSEAS STUDENTS

Britain is to provide a new scholarship scheme to enable more overseas students from Commonwealth developing countries to come to Britain for postgraduate training courses. Giving details of the Government's decision in the House of Commons on 3 June, the Minister for Overseas Development, Mr Timothy Raison, said that the Overseas Development Administration Shared Scholarship Scheme would provide up to 450 scholarships over five years to be funded jointly by the Overseas Development Administration (ODA) and by those British universities and polytechnics wishing to participate. The first awards, available for the academic year 1986-87, would be open to those students of excellent academic calibre who did not qualify for assistance under existing government support schemes and were unable to finance their studies themselves.[1]

[1] Nearly 11,000 overseas students will receive training in Britain this year through the aid programme at a cost of £48 million – about 800 students under the Commonwealth Scholarship and Fellowship Plan and 10,000 under the Technical Co-operation Training Programme.

Priority will be given to subjects related to the economic and social development of the student's country of origin. Instead of being nominated by their governments as is normally the case under the Technical Co-operation Training Programme, candidates will be put forward for awards by British universities and polytechnics. Awards will be made for taught postgraduate courses and, in special cases, undergraduate training where the particular course of study cannot be pursued in the student's own country or in a regional institution nearby. Assistance for postgraduate research will not qualify for awards since such assistance is already provided under the Overseas Research Students Awards Scheme of the Department of Education and Science and the Special Awards Scheme of the Foreign and Commonwealth Office (see pp 101-2, 1983).

Sources: *Hansard*, Vol 80, No 125, written answers, cols 9-10. Overseas Development Administration press notice, 3.6.85.

National Income and Expenditure 1984

Britain's gross domestic product rose by 2·5 per cent in real terms in 1984 following a rise of 3 per cent in 1983. Growth was depressed in 1984 by the dispute in the coal industry.

Provisional estimates of national income and expenditure for 1984 were published in the April issue of *Economic Trends*.

Gross Domestic Product

The latest estimates indicate that the average measure[1] of gross domestic product (GDP) at constant factor cost[2] rose by 2·5 per cent in 1984 following a rise of 3 per cent in the previous year. The direct effects of the dispute in the coal industry (see pp 77-8) are estimated to have adversely affected the 1984 figure by a little over 1 per cent. Nevertheless the level of economic activity was some 9 per cent higher in the second half of 1984 than at its low point in 1981. GDP at current market prices increased by 6·5 per cent over its 1983 level.

The expenditure measure of GDP increased by 6 per cent at current prices and by 1·5 per cent at constant prices in 1984 compared with 1983. On this measure GDP was a little over £318,000 million at current market prices and some £273,000 million at current factor cost.

The income measure of GDP showed a growth of about 8 per cent at current prices in 1984. Gross trading profits of companies increased by about 20 per cent for the second successive year. Employment income, which rose 6·5 per cent on its 1983 level, and the gross trading surplus of public corporations, which showed a substantial fall, were both depressed by the effects of the coal dispute. When deflated by the implied index of total home costs, GDP on the income measure increased by about 3·5 per cent between 1983 and 1984.

The level of GDP on the output measure was 2·5 per cent higher in real terms in 1984, despite being reduced by between 1 and 1·25 per cent by the dispute in the coal industry. Growth in the production industries was reduced by about 1 per cent, despite a 3·5 per cent rise in manufacturing output. Agricultural output exceeded its previous record level of 1982 and activity in the construction industry and main service industries was up by 3 per cent or more.

[1] The average measure of GDP is calculated from the three conventional measures of GDP – those for expenditure, income and output. Although estimates for the three measures should, in theory, yield the same result, in practice there are often variations between them. For medium- or longer-term comparisons, the average of the three is the preferred measure. (The output measure is thought to be the best indicator for periods of up to about one year.)

[2] Figures in constant prices in this article are given in terms of 1980 average prices.

Personal Income, Expenditure and Saving

Personal disposable income increased by 7·5 per cent to some £220,000 million in 1984 and prices rose by 5 per cent resulting in an increase of a little over 2 per cent in real personal disposable income. Total wages and salaries (£156,000 million) were 6·5 per cent higher in 1984.

For 1984 consumers' expenditure at current prices (some £195,000 million) was just over 6·5 per cent higher than for 1983. As this was less than the rise in personal disposable income, the saving ratio rose slightly. At constant prices consumers' expenditure was 1·5 per cent higher over the year. Spending on motor vehicles, food and tobacco fell but this was offset by increased spending on other goods and services.

Companies and Public Corporations

Present estimates suggest that the profits of industrial and commercial companies rose at about the same rate in 1984 as in 1983. The gross trading profits (net of stock appreciation) of North Sea oil and other industrial and commercial companies are each estimated to have risen by 22 per cent in 1984, following rises of 23 per cent and 19 per cent respectively in 1983. On the basis of provisional figures, undistributed income of industrial and commercial companies is estimated to have been 24 per cent higher in 1984 than in the previous year, reflecting a slightly lower growth rate than that recorded in 1983.

First estimates suggest that the total income of financial companies and institutions arising in Britain net of interest paid rose by about 10 per cent during the year, while their income from abroad grew by about 12 per cent.

The level of the gross trading surplus of public corporations was about three-quarters of its level in 1983, in the main reflecting the effects of the coal dispute on the operations of the National Coal Board, the Electricity Council and British Rail. The fourth quarter figures were also lower as a result of the privatisation in November of British Telecom.

Government

Total central government current receipts increased by about 7·5 per cent (to some £118,000 million) between 1983 and 1984. Income and expenditure tax receipts rose by 8 per cent and rent, dividends and

royalties by 13 per cent. Total current expenditure rose by 7 per cent (to some £123,000 million) which led to a small reduction in the size of the current account deficit. Debt interest payments rose by 14 per cent while final consumption in current prices rose by 5 per cent.

The total current receipts of local authorities increased by 5 per cent during the year. Grants from central government increased by 7·5 per cent but rates receipts rose by only 2·5 per cent. Current expenditure increased by 6·5 per cent.

Capital Investment and Stocks

Total fixed investment rose 8 per cent between 1983 and 1984 to a record level of £45,259 million at constant prices (and by 12 per cent to £55,188 million at current prices). There were increases in each of the main types of asset – vehicles, plant and machinery and new dwellings, buildings and works. By sector there were increases in fixed capital formation in manufacturing (up by 14 per cent in real terms), the distribution industries (12 per cent), transport and communications (12 per cent), financial and business services (12 per cent), and oil and natural gas extraction (16 per cent). In marked contrast fixed investment in all other energy and water supply industries fell by 14 per cent, more than one-half of this reduction being accounted for by the coal dispute. Investment in dwellings was 4 per cent higher than in 1983, mainly reflecting increased activity in the public sector.

Stocks declined by £500 million (at 1980 prices) during 1984, the major feature being a reduction in stocks of about £750 million by the energy industries. Manufacturers' stocks rose very slightly during 1984 after four years of reductions.

Overseas Direct Investment by Companies

Direct investment abroad by British non-oil companies in 1983 totalled £3,500 million, compared with £2,500 million in 1982. Foreign direct investment in Britain, excluding oil, more than doubled between 1982 and 1983 to reach almost £2,200 million. Net earnings on outward investment grew by about one-third to £4,100 million while those on inward investment, at £2,400 million, increased by about one-seventh.

Provisional figures for 1984 (see Table 1) show a small rise in Britain's net earnings from overseas direct investment, to £4,300 million, while other countries' net earnings from direct investment in Britain increased by nearly one-third, to £3,200 million. These findings are from the Department of Trade and Industry's inquiry into annual flows of British direct investment overseas[1] and inward direct investment in Britain, published in the 17 May issue of *British business*. Oil companies are excluded from the inquiry. As only provisional figures are available for 1984, this article deals with the more detailed analysis for 1983.

Trends in Direct Investment

Flows of overseas direct investment have fluctuated from year to year reflecting changing economic conditions in Britain and overseas. Inflation and movements in the exchange rate for sterling affect the size of the fluctuations, but by exactly how much is difficult to measure as direct investment consists of transactions in financial assets for which there are no suitable price indices. However, a rough indication of the underlying trends can be obtained by comparing flows of direct investment with British gross domestic product (GDP) at current market prices.

As a percentage of GDP, net British outward direct investment was about 0·75 per cent in the mid-1960s. It grew rapidly to a peak of 2·25 per cent in 1973 before falling back as economic activity declined in the wake of oil price rises. A new peak in 1981 reflected the depressed state of the British economy at a time when there were better economic prospects in the United States and a strong sterling exchange rate which lowered the sterling cost of dollar assets. The ratio decreased sharply in 1982 but recovered a little in 1983.

Inward direct investment in Britain as a proportion of GDP increased more slowly than outward investment – from an average of 0·5 per cent in the mid-1960s to

[1] Direct investment overseas consists of long-and short-term funds given by an investor in one country to overseas affiliates (subsidiaries, associates and branches) in the form of share capital, loans, trade credit and retained profits. It is measured net after deducting loans made by the affiliates to their direct investors.

Table 1

Net Direct Overseas Investment and Earnings

£ million

	1979	1980	1981	1982	1983	1984*
Outward direct investment overseas						
Net investment	3,035	3,317	5,134	2,529	3,535	2,994
Net earnings	2,843	2,924	3,555	3,114	4,132	4,289
Inward direct investment in Britain						
Net investment	1,740	2,541	980	1,074	2,195	2,668
Net earnings	2,077	1,873	1,961	2,144	2,430	3,198

*Provisional

Table 2

Net Outward Direct Investment Overseas Analysed by Area

£ million

	1979	1980	1981	1982	1983
Western Europe	**255·4**	**376·5**	**643·4**	**214·2**	**140·3**
European Community	228·2	365·2	591·9	40·3	−6·2
Belgium and Luxembourg	5·7	−11·0	−15·3	−4·9	71·9
Denmark	5·0	20·5	1·8	3·4	8·3
France	89·1	126·8	129·7	61·8	118·8
Federal Republic of Germany	9·5	370·6	194·1	70·7	−3·1
Greece	4·2	−0·3	5·2	6·3	0·1
Irish Republic	62·3	63·8	75·9	55·9	7·1
Italy	64·7	49·0	76·7	22·9	30·1
Netherlands	−12·3	−254·2	123·8	−175·7	−239·5
European Free Trade Association*	−17·1	−36·0	−12·4	90·4	83·8
Austria	*na*	−6·1	3·9	—	0·5
Finland	9·5	2·0	4·2	−2·7	2·5
Norway	*na*	*na*	11·7	*na*	*na*
Portugal	10·3	10·6	19·7	11·4	24·8
Sweden	18·7	2·1	5·3	−2·7	19·9
Switzerland	−60·9	−39·4	−57·2	89·0	34·3
Other Western Europe	44·4	47·3	63·9	83·5	62·7
North America	**1,832·6**	**1,860·8**	**2,748·1**	**1,555·6**	**2,043·2**
Canada	220·8	148·5	255·7	58·7	237·8
United States	1,611·8	1,712·4	2,492·4	1,496·8	1,805·4
Other developed countries	**311·8**	**444·4**	**711·6**	**426·8**	**646·8**
Australia	199·9	166·5	362·9	176·9	285·2
Japan	38·9	14·7	17·2	13·7	25·5
New Zealand	24·1	30·9	39·9	8·5	40·1
South Africa	48·8	232·3	291·6	227·7	296·0
Rest of the world	**634·8**	**634·9**	**1,031·0**	**332·7**	**705·0**
Africa	160·0	183·1	267·9	263·0	76·3
Middle East	40·6	25·1	8·3	43·1	−29·1
Other Asia	153·2	144·9	440·4	−287·9	483·8
Caribbean, Central and South America	298·1	293·8	301·9	316·9	166·9
Other	−17·2	−12·0	12·4	−2·4	7·1
World	**3,034·6**	**3,316·7**	**5,134·2**	**2,529·2**	**3,535·3**
Commonwealth	898·6	808·6	1,389·8	285·5	1,140·5
Developing countries	634·8	634·9	1,030·9	332·6	705·1
Oil-exporting countries†	81·3	123·3	128·3	195·4	5·8

*Including Iceland

†Algeria, Ecuador, Gabon, Gulf States, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Trinidad and Tobago and Venezuela.

na = not available.

a peak of just over 1 per cent in 1974, before declining to the mid-1960s level during the recession which began in 1973. A recovery to a new peak in 1978 was followed by a sharp fall to a historically low figure in 1982 as a result of the more recent recession.

In 1983 there was a resumption of economic growth in the main industrialised countries, which was most marked in the United States. The recovery in Britain had begun rather earlier, although from a deeper recession; growth strengthened throughout 1983 and Britain's current account of the balance of payments showed a healthy surplus. In this economic climate both outward and inward direct investment increased during 1983. The fast-growing North American market offered the prospects of diversification and profitable returns, though British investors were constrained by adverse exchange-rate movements that made dollar assets more expensive to acquire. Borrowing in the United States to fund investment remained relatively expensive, but in Britain sharply improved company liquidity and declining interest rates made investments easier to finance. Also, more buoyant earnings from overseas affiliates were available to be reinvested.

The ending of exchange controls in 1979 (see pp 338-9, 1979) is not considered to have had any direct effect on flows of direct investment. However, in recent years company structures have been changing to take advantage of international taxation agreements, while the absence of exchange controls has made it easier for companies to manage their finances on an international scale. The practice of using holding companies to manage the business of foreign direct investment through inter-company account appears to have become more widespread.

Table 3

Net Earnings from Outward Direct Investment Overseas Analysed by Area

£ million

	1979	1980	1981	1982	1983
Western Europe	**640·1**	**514·1**	**539·3**	**516·7**	**825·9**
European Community	500·8	363·7	350·1	308·7	517·8
Belgium and Luxembourg	53·2	42·8	34·9	28·3	40·3
Denmark	10·9	14·5	11·3	3·9	14·8
France	73·5	67·4	61·3	43·4	22·6
Federal Republic of Germany	162·5	124·5	73·2	86·1	171·7
Greece	2·6	3·2	2·5	5·2	9·2
Irish Republic	96·4	81·7	107·3	94·0	56·5
Italy	44·4	45·8	34·2	35·8	47·3
Netherlands	57·2	−16·1	25·3	12·1	155·4
European Free Trade Association*	114·2	119·0	134·8	135·3	215·0
Austria	10·7	10·9	11·1	4·7	14·9
Finland	7·0	4·9	5·3	3·7	3·5
Norway	*na*	*na*	5·9	2·5	*na*
Portugal	13·4	16·6	17·3	16·8	19·5
Sweden	13·7	17·7	13·4	12·7	18·7
Switzerland	65·7	66·4	81·9	94·9	153·6
Other Western Europe	25·1	31·4	54·5	72·6	93·0
North America	**773·8**	**760·9**	**1,024·5**	**708·7**	**1,178·4**
Canada	206·6	196·5	191·9	163·9	346·3
United States	567·2	564·4	832·6	544·8	832·1
Other developed countries	**658·5**	**751·9**	**839·3**	**730·7**	**882·1**
Australia	254·3	277·2	318·1	253·6	271·4
Japan	37·2	20·9	18·0	21·9	29·8
New Zealand	32·2	32·7	38·4	44·1	53·7
South Africa	334·7	421·1	464·8	411·0	527·2
Rest of the world	**770·7**	**897·3**	**1,151·5**	**1,158·2**	**1,245·8**
Africa	203·6	267·0	267·7	261·8	307·4
Middle East	70·1	60·8	76·6	118·2	137·9
Other Asia	309·4	329·5	405·6	404·9	406·6
Caribbean, Central and South America	174·6	226·8	372·9	328·7	390·1
Other	13·0	13·1	28·7	44·6	8·8
World	**2,843·1**	**2,924·3**	**3,554·7**	**3,114·2**	**4,132·2**
Commonwealth	1,002·7	1,115·7	1,266·9	1,154·6	1,464·6
Developing countries	770·4	897·1	1,151·4	1,158·2	1,245·8
Oil-exporting countries†	157·8	167·0	197·9	228·1	255·6

*Including Iceland.
†Algeria, Ecuador, Gabon, Gulf States, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Trinidad and Tobago and Venezuela.

Outward Net Direct Investment

Net direct investment overseas by British companies in 1983 amounted to £3,535 million, 40 per cent higher than in 1982 but well below the very high outflow of £5,134 million in 1981 when there were major acquisitions in the United States (see Table 1). As in 1982, unremitted profits, totalling £2,181 million in 1983, were the largest component of net direct investment, representing about 60 per cent of the total. Retained profits had on average accounted for over two-thirds in the period 1975-77 and less than one-half in 1978-81 of total net outward direct investment.

The value of net acquisitions of share and loan capital, 38 per cent higher than in 1982, at £1,389 million, reflected increased gross acquisitions and lower gross disposals of shares in overseas companies. There was an overall net inflow of funds into Britain on inter-company accounts (£126 million), though patterns varied considerably between area and activity. Large inflows from Western Europe in the non-manufacturing sector resulted from British banks issuing loan stock through European subsidiaries which then lent the proceeds to the British parent. These inflows were partly offset by sizeable outflows on inter-company account to North America, particularly in the manufacturing sector.

For the second year running outward direct investment in manufacturing throughout the world, amounting to £2,018 million in 1983, exceeded that in non-manufacturing (£1,518 million).

British net outward direct investment was again concentrated in the developed nations, with over one-

Table 4

Net Inward Direct Investment in Britain Analysed by Area

£ million

	1979	1980	1981	1982	1983
Western Europe	**454·6**	**189·7**	**357·0**	**343·5**	**649·8**
European Community	216·1	0·5	9·5	136·3	510·9
Belgium and Luxembourg	23·4	15·1	−170·2	14·5	102·2
Denmark	35·6	13·2	23·7	27·5	12·4
France	12·4	−109·3	14·7	−2·5	161·3
Federal Republic of Germany	70·7	37·5	157·1	56·7	66·1
Greece	0·8	2·0	−0·7	0·1	0·1
Irish Republic	−11·3	19·4	2·3	21·1	−15·9
Italy	5·2	−10·8	14·7	6·2	7·3
Netherlands	79·2	33·5	−32·1	12·6	177·2
European Free Trade Association	237·4	188·8	344·8	203·4	125·3
Austria	3·4	−1·0	1·2	12·4	−12·0
Finland	24·3	3·3	51·6	12·2	34·9
Norway	15·1	23·8	21·3	117·6	−76·4
Portugal	2·0	1·5	—	2·3	1·8
Sweden	39·7	43·2	87·4	9·6	45·5
Switzerland	152·5	118·0	183·4	49·3	131·7
Other Western Europe	1·2	0·4	2·7	3·8	13·6
North America	**1,079·4**	**1,963·3**	**88·0**	**318·9**	**1,285·2**
Canada	85·7	50·8	−29·5	−58·5	49·1
United States	993·7	1,912·4	117·5	377·4	1,236·1
Other developed countries	**71·7**	**171·3**	**281·0**	**40·1**	**153·9**
Australia	75·2	71·4	−44·7	41·0	−53·4
Japan	50·9	14·0	173·3	−62·7	190·3
New Zealand	4·6	−3·7	12·9	−6·0	−4·9
South Africa	−59·1	89·7	139·5	67·7	61·9
Rest of the world	**134·4**	**216·5**	**253·6**	**371·7**	**66·6**
Asia	44·8	24·6	238·7	363·2	−10·1
Caribbean, Central and South America	8·8	202·8	3·4	34·2	46·3
Other	80·7	−10·9	11·6	−25·7	30·4
World	**1,740·0**	**2,540·9**	**979·7**	**1,074·3**	**2,195·5**

half of the total accounted for by the United States, which attracted £1,805 million (see Table 2). However, more than one-third of the increase in net outward investment in 1983 went to developing countries. Net direct investment fell back sharply in Africa, in South America and in the Caribbean and Central America. Investment in Hong Kong accounted for much of the increase in outward direct flows to Asia.

Net Earnings from Outward Direct Investment

Net earnings from overseas direct investment in 1983 were £4,132 million, 33 per cent higher than in 1982 (see Table 1). While part of this rise was due to the decline in the exchange rate for sterling which increased the sterling value of overseas earnings, much of it reflects the improvement in economic conditions in the main industrialised countries in 1983. The overall rise concealed a diversity of movements, particularly between geographical areas.

The increase in British parent companies' and head offices' share of overseas affiliates' net profits (from £2,837 million in 1982 to £3,596 million in 1983) was strongest in Western Europe, but net interest payments of £107 million to their subsidiaries, including interest payments on the proceeds of loan stock issued by their subsidiaries, had an offsetting effect. By contrast, net interest receipts by British parent companies from their United States subsidiaries totalled £240 million in 1983 and accounted for 29 per cent of net earnings on direct investment in the United States.

Dividends (or remitted earnings) received by British companies from their overseas subsidiaries and associates rose overall by 20 per cent, but dividend receipts from the United States declined slightly, lending support to the view that British direct investment and income on that investment in the United States are being channelled increasingly through inter-company account (short-term) loans and interest receipts rather than share and loan stock purchases and dividends.

Total earnings were about evenly divided between manufacturing and non-manufacturing.

Developed countries accounted for 70 per cent of overseas earnings; the United States for 20 per cent; Commonwealth countries for 35 per cent; European Community countries for 13 per cent; and South Africa for 13 per cent (see Table 3).

Table 5

Net Earnings from Inward Direct Investment in Britain Analysed by Area

£ million

	1979	1980	1981	1982	1983
Western Europe	**412·1**	**139·1**	**215·7**	**243·9**	**482·9**
European Community	249·5	62·1	58·6	150·4	349·6
Belgium and Luxembourg	30·8	32·7	38·0	37·9	51·4
Denmark	19·3	15·5	27·6	26·4	27·9
France	60·3	32·8	−28·8	98·4	96·4
Federal Republic of Germany	64·0	19·1	67·2	18·4	22·5
Greece	1·6	1·1	0.4	—	—
Irish Republic	20·0	12·2	6·4	2·3	12·0
Italy	−3·1	−15·5	9·7	−16·4	−0·6
Netherlands	56·7	−35·7	−61·9	−16·6	140·0
European Free Trade Association	158·8	73·3	152·5	89·9	142·1
Austria	1·7	0·8	0·9	3·7	2·1
Finland	6·3	4·1	−5·9	2·1	2·3
Norway	1·0	11·8	4·7	−7·7	−13·1
Portugal	2·4	1·0	—	1·5	2·3
Sweden	33·1	21·0	5·0	−1·9	31·9
Switzerland	113·8	34·7	147·8	92·3	116·6
Other Western Europe	3·8	3·7	4·7	3·6	1·2
North America	**1,527·5**	**1,469·4**	**1,519·7**	**1,387·3**	**1,491·9**
Canada	131·7	88·5	87·8	83·9	158·1
United States	1,395·8	1,380·9	1,431·9	1,303·4	1,333·8
Other developed countries	**101·5**	**176·3**	**122·7**	**125·4**	**256·2**
Australia	25·7	52·5	18·5	42·1	57·6
Japan	39·6	91·6	72·5	90·2	181·5
New Zealand	0·4	1·8	3·1	4·2	5·9
South Africa	35·8	30·4	28·6	−11·1	11·2
Rest of the world	**36·2**	**87·8**	**102·5**	**387·6**	**188·9**
Asia	24·1	31·2	48·3	305·6	106·7
Caribbean, Central and South America	11·7	54·6	41·5	64·3	58·7
Other	0·4	2·1	12·6	17·7	23·6
World	**2,077·3**	**1,872·7**	**1,960·6**	**2,144·2**	**2,430·0**

Inward Net Direct Investment

Inward direct investment totalled £2,195 million in 1983, over double the figure recorded a year earlier (see Table 1). Nearly one-half of this rise was due to increases in indebtedness to overseas parent companies on branch-head office account, especially for United States and Japanese financial sector branches in Britain.

Unremitted profits rose by 43 per cent to £1,097 million in 1983, reflecting a 16 per cent increase in net profits and a 9 per cent fall in dividends paid to overseas parents. Overseas companies reinvested about 60 per cent of their net profits in Britain; retained earnings accounted for one-half of total net inward investment in 1983.

Net acquisitions of British companies' share and loan capital almost doubled to £594 million, but this was entirely due to a marked decline in disinvestments in Britain. The non-manufacturing sector accounted for three-quarters of the value of net acquisitions.

The overall net inflow on inter-company and branch-head office accounts was dominated by transactions involving branches, especially in the financial sector. There was a small net outflow on inter-company account; the large outflows in previous years, particularly to North America and representing short-term loans given by British affiliates to their United States parents, remained outstanding.

Non-manufacturing activities accounted for 55 per cent of total inward investment.

More than one-half of net inward investment in 1983 came from the United States, indicating a return to more normal geographical patterns, following several years in which the figures have been distorted by exceptional loans. Inward investment from Western Europe recovered strongly (representing 30 per cent of the total in 1983), largely due to investments by European Community-based companies in both the manufacturing and the non-manufacturing sectors in Britain. The sharp rise in net inward investment from Japan was concentrated in non-manufacturing (see Table 4).

Net Earnings from Inward Direct Investment

Overseas parent companies' share of British companies' net profits rose by 16 per cent in 1983, to £1,864 million, and, after taking account of interest

paid to overseas parents, net earnings were 13 per cent higher than in 1982, at £2,430 million (see Table 1). The net profits figures were depressed by extraordinary items taken through the profit and loss account as some companies made provision at the first opportunity for changes in capital allowances announced in the 1984 Budget (see p 122, 1984). The underlying position is of an improvement in trading conditions in Britain, especially in the manufacturing sector, for inward direct investors; net earnings from manufacturing were £1,317 million and from non-manufacturing activities £1,113 million.

In terms of areas, just over 60 per cent of net earnings of affiliates in Britain of overseas companies were attributable to North America; Western European affiliates accounted for 20 per cent of the total, and affiliates of companies in other developed countries for 11 per cent (see Table 5). There was a substantial increase in the net earnings of affiliates of Western European companies, particularly in the manufacturing sector, following three successive years either of net losses or low earnings. The small improvement in net earnings of affiliates of North American companies, up 8 per cent compared with a year earlier, was achieved after taking into account the effects of extraordinary items referred to above. Affiliates of Japanese firms in Britain increased their net earnings significantly with much of the rise in the profits of subsidiaries being reinvested in those subsidiaries. Branch profits continued to account for a substantial element of Japanese net earnings which to date have been predominantly in the non-manufacturing sector.

Oil and Gas

Britain's oil production rose by 10·4 per cent in 1984, which was also a record year for the drilling of exploration and appraisal wells, according to the Department of Energy's 1985 review of oil and gas development, published on 30 April.[1] Estimates of remaining recoverable gas reserves in present discoveries have increased by 15 per cent. The Government has announced its intention to transfer the assets of the British Gas Corporation to a new private sector company and to dispose of its residual shareholding in Britoil.

ANNUAL REVIEW

Oil and Gas Production

Britain's total oil production rose from 114·9 million tonnes in 1983 to 125·9 million tonnes in 1984, which included 4·1 million tonnes of heavier natural gases, 0·6 million tonnes of condensate, and 0·3 million tonnes of onshore crude oil (of which 0·2 million tonnes were produced from the Wytch Farm field). By the end of 1984, 27 offshore oilfields were in production (see Table 1), of which two (Hutton and Deveron) came onstream during the year. Gas produced from the United Kingdom Continental Shelf (UKCS) totalled 40,000 million cubic metres[1] (see Table 2) in 1984, 1·6 per cent more than in 1983. Supplies of UKCS gas to the British Gas Corporation accounted for 72 per cent of its total supplies (UKCS production plus imports).

Exploration and Development

In 1984, 106 exploration and 76 appraisal wells were started, representing the highest level of activity for both categories since exploration began. There were 23 significant discoveries made: ten of oil, one of oil and gas, eight of gas, one of condensate and three of gas and condensate. A total of 37 exploration and 18 appraisal wells were begun in the Central North Sea, and 24 exploration wells in the southern North Sea, the two areas where most activity has been concentrated. The first wells were drilled in the areas west of Orkney and north of 62°N., and one well was drilled in a water depth of 677 metres,[2] the deepest so far drilled under a production licence.

Reserves

The high level of exploration and appraisal drilling has affected the estimated levels of both oil and gas in existing discoveries. In particular, estimates of remaining recoverable gas reserves classified as proven and probable in existing discoveries have risen by 15 per cent, from 1·149 million million cubic metres to 1·325 million million cubic metres. The report emphasises that forecasts for undiscovered hydrocarbons are more speculative than those for discovered reserves, and must be assessed differently. After taking account of cumulative production to date (698 million tonnes of oil and 504,000 million cubic metres of gas) remaining recoverable reserves in present and future discoveries are estimated to be in the range of 1,130-4,780 million tonnes of oil and 0·875-2·44 million million cubic metres of gas (as against the estimates of 1,410-5,280 million tonnes of oil and 0·9-2·26 million million cubic metres of gas given in the 1984 edition). The amount eventually extracted can be expected to be below the mid-point of the ranges.

Licensing

The ninth round of offshore licensing closed in December 1984. A total of 195 blocks were put on offer, including a number in the deeper-water areas (in excess of 200 metres) of the Rockall and Faroes Troughs. Final arrangements were announced on 23 May. There was a record response of 149 applications, and 93 blocks were awarded.

During 1984 five onshore production licences were awarded, for areas in the Firth of Clyde, the Solway Firth, Liverpool Bay, the Humber estuary and the Solent. Three exploration licences, for areas in Humberside, Lincolnshire and Dorset, were also awarded. The Petroleum (Production) (Landward Areas) Regulations 1984 (see p 139, 1984), which provide for three types of licence, designed for the identifiable stages of exploration, appraisal and development, came into operation in December 1984.

Economic and Industrial Aspects

In 1984 UKCS oil and gas production accounted for nearly 6 per cent of Britain's gross national product at

[1] *Development of the Oil and Gas Resources of the United Kingdom 1985.* Department of Energy. HMSO, £9·50. ISBN 0 11 411565 6.

[1] 1 cubic metre = 35·31 cubic feet.

[2] 1 metre = 3·28 feet.

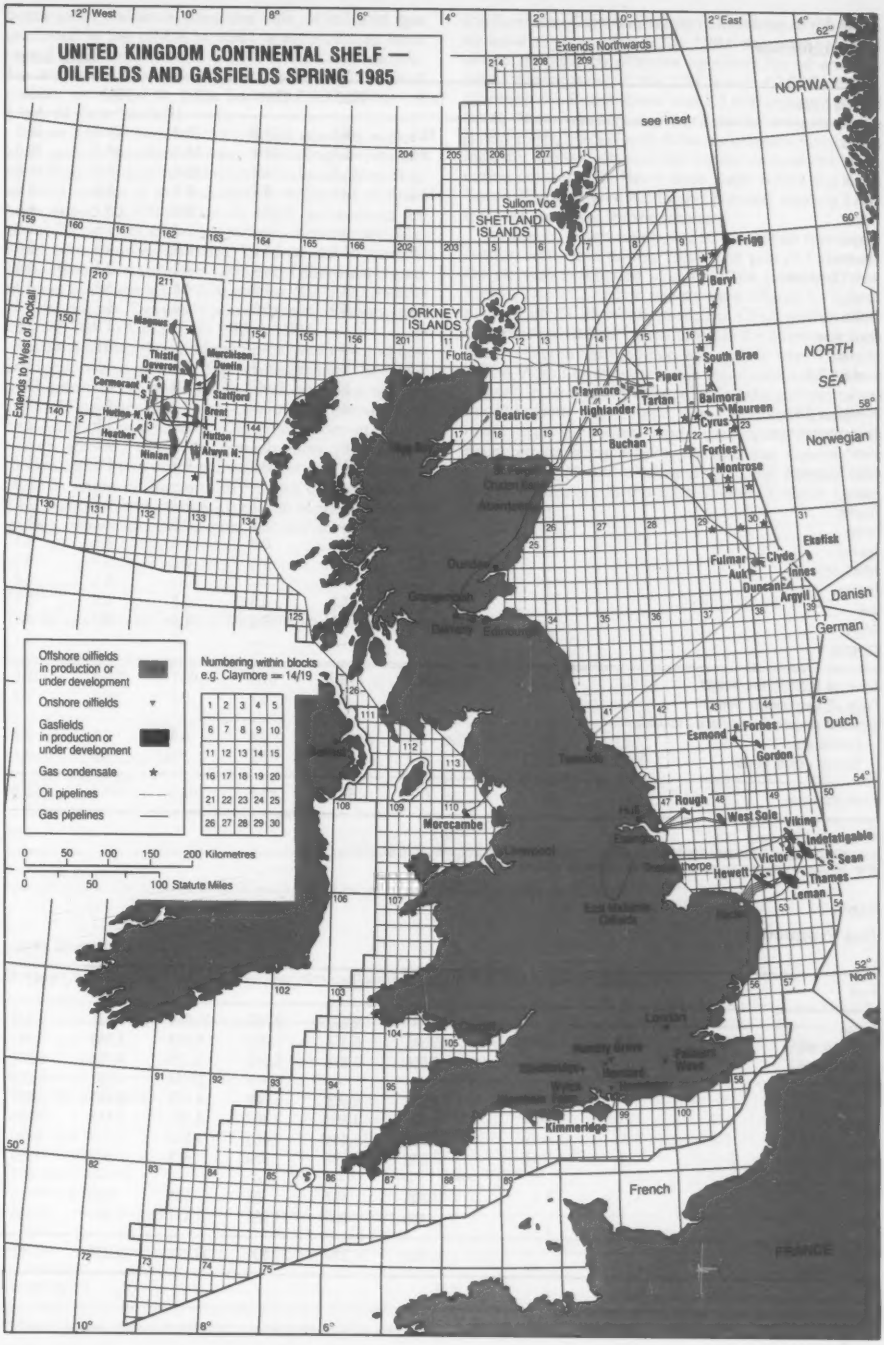
UNITED KINGDOM CONTINENTAL SHELF — OILFIELDS AND GASFIELDS SPRING 1985
Extends Northwards
see inset
NORWAY
Sullom Voe
SHETLAND ISLANDS
ORKNEY ISLANDS
Flotta
Frigg
Beryl
South Brae
NORTH SEA
Piper
Tartan
Claymore
Highlander
Balmoral
Maureen
Cyrus
Beatrice
Buchan
Forties
Montrose
Norwegian
Ekofisk
Fulmar
Clyde
Auk
Innes
Duncan
Argyll
Danish
German
Dutch
Esmond
Forbes
Gordon
Rough
West Sole
Viking
Indefatigable
Victor
N. Sean
S. Sean
Thames
Hewett
Leman
Morecambe
Kimmeridge
French
FRANCE
Extends to West of Rockall
Magnus
Thistle
Murchison
Dunlin
Deveron
Cormorant N.
Cormorant S.
Statfjord
Brent
Heather
Hutton N.
Hutton
Alwyn N.
Nelson
Offshore oilfields in production or under development
Onshore oilfields
Gasfields in production or under development
Gas condensate
Oil pipelines
Gas pipelines
Numbering within blocks e.g. Claymore = 14/19
0 50 100 150 200 Kilometres
0 50 100 Statute Miles

Table 1
Oil Production

million tonnes

Offshore fields	1979	1980	1981	1982	1983	1984
Forties	24·5	24·6	22·8	22·2	21·7	20·3
Brent	8·8	5·8	11·1	15·2	18·7	20·0
Ninian	7·7	11·4	14·3	15·0	13·7	11·6
Piper	13·2	10·4	9·8	9·8	9·6	8·9
Fulmar	—	—	—	2·6	5·7	6·0
Magnus	—	—	—	—	1·5	5·6
Claymore	4·0	4·4	4·5	4·8	4·7	5·0
North Cormorant	—	—	—	1·3	2·1	4·4
Beryl	4·7	5·4	4·7	4·4	3·8	4·3
Thistle	3·9	5·3	5·5	6·0	5·1	4·2
South Brae	—	—	—	—	1·0	3·9
Maureen	—	—	—	—	0·8	3·8
Statfjord (UK)	*	0·5	1·2	1·8	3·0	3·5
Dunlin	5·7	5·2	4·7	3·9	3·5	3·1
Murchison (UK)	—	0·4	3·1	4·4	4·5	2·9
North-West Hutton	—	—	—	—	1·9	2·4
Beatrice	—	—	0·2	1·6	1·5	2·2
South Cormorant	*	1·1	0·7	0·9	1·5	1·7
Hutton	—	—	—	—	—	1·3
Heather	0·8	0·7	1·2	1·7	1·3	1·2
Tartan	—	—	0·7	0·6	1·1	1·2
Buchan	—	—	0·9	1·4	1·6	1·1
Montrose	1·3	1·2	1·1	0·9	0·7	0·8
Duncan	—	—	—	—	0·1	0·6
Auk	0·8	0·6	0·6	0·6	0·6	0·6
Argyll	0·8	0·8	0·5	1·0	0·7	0·4
Deveron	—	—	—	—	—	0·1
Crude oil from offshore fields†	76·5	78·7	87·7	100·1	110·5	120·8
Crude oil from onshore fields†	0·1	0·2	0·2	0·2	0·3	0·3
Liquefied products from oil and gas fields:						
Condensate	0·4	0·4	0·4	0·5	0·6	0·6
Heavier natural gases	0·6	1·1	1·2	2·4	3·5	4·1
Total production	77·9	80·5	89·5	103·2	114·9	125·9

*Less than 50,000 tonnes.
†Includes condensates and residual dissolved gases present in the disposal of stabilised crude oil by the industry.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 2
Gas Production

million cubic metres

Field	1979	1980	1981	1982	1983	1984
Leman	13,831	9,482	13,207	11,675	11,985	9,376
Frigg (UK share)	5,345	6,374	7,057	6,569	6,948	7,781
Indefatigable	6,006	6,878	5,613	5,720	4,700	5,590
FLAGS*	—	—	—	2,144	4,297	5,356
Hewett	6,288	6,568	5,048	4,108	3,851	3,631
Viking	4,397	4,689	3,307	4,381	3,413	3,197
West Sole	1,365	1,445	1,455	1,512	1,719	1,899
Piper†	536	521	520	629	782	739
Victor	—	—	—	—	—	472
Rough	1,005	467	99	101	27	55
Other‡	455	866	1,098	1,437	1,807	2,066
Total	39,228	37,290	37,404	38,276	39,529	40,162

*Gas delivered to land via the FLAG system gas pipeline.
†Gas used offshore or delivered to land via the Frigg pipeline system.
‡Associated gas produced and used mainly on Northern Basin oil production platforms.

factor cost. Revenue from the sale of oil and gas produced in the UKCS in 1984 is estimated to have been £20,300 million and £1,200 million respectively. Tax and royalty receipts attributable to UKCS oil and gas are estimated to have been £12,000 million in 1984-85 (see Table 3).

Gross capital investment in the oil and gas exploration and production industry (including investment by drilling contractors and other contractors providing services unique to the industry) is estimated to have been about £3,200 million in 1984, accounting for about 24 per cent of British industrial investment and 6 per cent of gross domestic fixed capital formation. Total investment between 1965 and 1984 is estimated to have been some £25,000 million (£37,000 million at 1984 prices). The workforce employed offshore rose from 28,700 in 1983 to 31,300 in 1984.

Table 4 shows the relationship between oil and gas production and primary fuel consumption. Britain's production of oil and gas in 1984 corresponded to about 65 per cent and 17 per cent of total primary fuel consumption respectively. Oil production, at 125·9 million tonnes, exceeded consumption (90 million tonnes), and there was a substantial import and export trade in crude oil. Imports of foreign crudes were at 24·2 million tonnes, while 77 million tonnes of UKCS crudes were exported, almost entirely to markets in the European Community and to members of the International Energy Agency. In 1984 the total value of orders reported by offshore operators for oil and gas development work in the UKCS was £3,600 million, of which the British share was £2,650 million (74 per cent). There was also a very substantial increase in the orders being placed with Britain's offshore fabricating industry. British offshore fabricators won all the fabricating contracts for North Brae, Sean North and Sean South, Clyde, Alwyn North and Esmond, making 1984 the best year ever for the industry.

Various oil assets belonging to the British Gas Corporation were sold during 1984. The sale of Enterprise Oil plc was completed in June 1984 (see pp 273-4, 1984). The 212 million shares were offered for sale at a price of £1·85 each, realising £382 million. The Corporation's 50 per cent interest in the licence including the Wytch Farm oilfield was sold in May 1984.

The Mossmorran natural gas liquids plant in Fife was opened in November 1984, marking the completion of the Far North Liquids and Gas Associated System, a major gas-gathering and processing operation designed to bring ashore gas and gas liquids from the Brent field, but also serving as the primary gas-gathering system in the East Shetlands Basin (see p 457, 1984).

Table 3

Taxes and Royalties attributable to UKCS Oil and Gas

£ million

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (provisional)
Royalties	628	992	1,396	1,632	1,904	2,400
Supplementary petroleum duty*	—	—	2,025	2,395	1	—
Petroleum revenue tax	1,436	2,410	2,390	3,274	6,016	7,200
Corporation tax†	270	480	650	460	900	2,400
Total	2,334	3,882	6,461	7,761	8,821	12,000

*Abolished at the end of 1982.
†Estimated proportion of the tax payable in year attributed to UKCS oil and gas, but before setting off any advance corporation tax.

Table 4

Britain's Primary Fuel Consumption compared with Oil and Gas Production

million tonnes of oil or oil equivalent

	1980	1981	1982	1983	1984 (provisional)
Primary fuel consumption:					
Coal	71·1	69·6	65·1	65·6	46·4
Petroleum	80·8	74·8	75·6	72·5	89·6
Natural gas	41·8	42·4	42·2	44·0	45·2
Nuclear electricity	7·8	8·1	9·4	10·6	11·5
Hydro electricity	1·2	1·3	1·4	1·4	1·2
Total*	202·7	196·2	193·7	194·1	193·8
Oil production	80·5	89·5	103·2	114·9	125·9
Gas production	32·5	32·4	33·0	34·0	33·5

*Differences between totals and the sums of their component parts are due to rounding.

BRITISH GAS CORPORATION

In a statement in the House of Commons on 7 May (*Hansard*, Vol 78, No 111, cols 639-48) the Secretary of State for Energy, Mr Peter Walker, announced that the Government had decided to transfer the assets of the British Gas Corporation to a new private sector company. Mr Walker said that legislation to provide for the transfer, and for the regulation of the monopoly aspects of the gas supply industry, would be introduced at the earliest opportunity. Shares in the new company would be sold to the public and to those employed in the industry, and in line with the Government's policy on wider share ownership, special opportunities would be provided for gas consumers and other small investors to purchase shares.

Mr Walker also said that the legislation would protect the consumer by establishing regulatory arrangements to oversee gas prices to the consumer and conditions of supply, and would also contain the necessary safety provisions, including the obligation on the new company to maintain the emergency services.

The opportunities for greater competition opened up by the Oil and Gas (Enterprise) Act 1982 (see pp 46-7, 1982) would be maintained and kept under review, and the Government intended that competitors should be able to supply not only large industrial consumers but also smaller domestic and commercial consumers in areas not already supplied by the Corporation, with suitable safeguards for safety.

Mr Stan Orme, the official Opposition's chief spokesman on energy, said that there would be widespread concern about the future ownership of shares in the new company, and that there would also be concern that a private monopoly might 'cut corners on safety'. The British Gas Corporation had served the country well for the past 20 years and there was every argument for maintaining a national corporation answerable to the House through the Secretary of State.

BRITOIL

The Chancellor of the Exchequer, Mr Nigel Lawson, announced in the House of Commons on 2 May (*Hansard*, Vol 78, No 109, written answers, col 246) the Government's intention to dispose of its residual shareholding in Britoil (see pp 364-5, 1982) in 1985. All of the Government's 48·8 per cent holding in Britoil, apart from those shares needed to pay out the small shareholder bonus, would be offered for sale.

Scientific Procedures on Living Animals

A second White Paper proposing changes in the law concerning scientific procedures on living animals was published by the Home Office on 15 May.[1] The new paper contains several changes to the existing proposals for new legislation intended to replace the Cruelty to Animals Act 1876.

[1] *Scientific Procedures on Living Animals*. Cmnd 9521. HMSO, £3·30. ISBN 0 10 195210 4.

In May 1983 the Home Office published a White Paper (see pp 203-4, 1983) which proposed new legislation concerning the use of living animals in scientific experiments. These proposals have been widely discussed, and have received support from the scientific community, the industrial community and from some members of the animal welfare community. Responses to the earlier paper have led the Government to develop, and in some cases to reconsider, the details of the proposed new legislation.

Major Changes

The proposals in the new White Paper differ from those in the 1983 White Paper in four main areas:

1 There would be tighter controls over the severity of procedures used in experiments on animals. Permitted levels of severity would be set in advance for each project, and the possible levels of severity involved in projects would be considered by the Home Secretary before project licences were granted. New regulations would require that animals in severe pain that could not be alleviated would be humanely killed.

2 The project licensing assessment system would be modified, so that the Home Secretary would refer to an independent assessor only those projects which give grounds for concern.

3 New statutory duties would be imposed to ensure that licensees were informed whenever the care of animals in laboratories gave cause for concern.

4 The more serious offences, such as performing a procedure without authority, would carry higher penalties, up to a maximum sentence of two years imprisonment and an unlimited fine.

The proposals for legislation as set out in the 1983 and 1985 White Papers include: the introduction of personal and project licensing; a requirement for all work to carry specific authorisation; a new system of controls over severity; a requirement that anaesthetics and analgesics be used where practicable, and a prohibition on the use of muscle relaxants as a substitute for these. The present legislation would be extended to cover animals used for non-experimental procedures, such as the production of antisera, and would also introduce controls on the use of animals for educational and training purposes. An Animal Procedures Committee, with advisory powers, would be set up, and the strength and duties of the existing Inspectorate would be enhanced.

Shorter Notes

INWARD INVESTMENT

Inward investment into Britain continued to rise in 1984, according to the Invest in Britain Bureau's annual report for 1984, published on 24 May. The stock of active investment projects handled by the Bureau reached a peak of 748 during the year (compared with 641 in 1983) and 285 foreign-owned companies (210 in 1983) decided either to locate or expand in Britain, including 134 from the United States, 102 from Western Europe, 18 from Canada and 16 from Japan.

Inward investment plays an increasingly important role in the British economy: in 1981, the last year for which figures are available, the number of foreign-owned manufacturing enterprises represented only 2·6 per cent of the British total, but these accounted for 14·9 per cent of employment, 18·6 per cent of net output and 25·5 per cent of net capital expenditure. In an introduction to the report, the Minister of State for Industry, Mr Norman Lamont, writes: 'Britain is now clearly the "preferred location" for internationally-mobile projects where companies are considering Europe as their next base for expansion.' The latest available figures (up to 1983) showed that Britain accounted for 39 per cent of the United States foreign direct investment stock in European Community countries (36 per cent, excluding oil investment), and for almost half of the estimated total value of Japanese investment in countries at present belonging to the Community since 1951. 'In addition to bringing welcome new capital investment to the [British] economy, which is now well into its fourth year of the most long-standing recovery since 1945, the activities of the promotional bodies representing [Britain] have helped to create over 28,000 jobs in 1984 . . . an increase of 86 per cent over [the figure for] 1983. In addition almost 18,000 existing jobs were protected by foreign companies' investment in Britain.'

The report says that the large number of firms from the United States selecting Britain when seeking to establish a manufacturing base in Europe is an indication of the growing awareness overseas of the many advantages and benefits that Britain has to offer. During 1984, Indy Electronics announced plans to build a £20 million assembly and testing plant in Scotland (the first to be set up by the company outside the United States), creating about 500 jobs, while Hewlett-Packard plans to expand its existing telecommunications activities leading to the creation of 700 potential new jobs. Other companies from the United States expanding or locating in Britain in 1984 included Monsanto, Integrated Power Semiconductors and Hughes Micro-electronics.

Of the Western European firms that opted to set up new operations or expand existing ones during 1984, the Dutch firm Curver will invest £12 million on a plastic holloware plant, creating 240 jobs; Serlachius of Finland plans to spend £13 million on a plant to manufacture paper tissue products, creating 200 new jobs; and NEK Cables of Norway announced a £4·5 million expansion scheme which will result in the creation of 97 extra jobs.

The Japanese companies Nissan (see pp 67-8, 1984), Sharp, Shin-Etsu Handotai, Alps Electric, Yamazaki, Iwax and Tabuchi all announced during 1984 their intention to manufacture in Britain. Other companies from Japan, including NEC, Toshiba, Hitachi-Maxell (see p 75, 1983) and NSK, made public plans to expand their British production facilities. These decisions will result in a further £450 million of Japanese investment being made in Britain and the creation of more than 6,000 jobs.

Mr Lamont warns, however, against taking a complacent attitude: competition from other European countries for overseas projects was growing, and in order to maintain its position Britain would need to increase the co-ordination of its efforts to attract foreign investment. To that end, and to build upon Britain's positive image abroad, the Government and others were mounting a major inward investment promotion initiative, 'Britain Means Business' (see pp 383-4, 1984), during 1985.

Source: *Invest in Britain Bureau Annual Report 1984.* Available free from the Invest in Britain Bureau, Department of Trade and Industry, Kingsgate House, 66-74 Victoria Street, London SW1E 6SJ.

FAIR TRADING ANNUAL REPORT

The twin themes of competition and the fair treatment of consumers are discussed by the Director General of Fair Trading, Sir Gordon Borrie, in his annual report for 1984, published on 1 May. Sir Gordon says that the year 1984 was one of change and innovation: of particular note were the introduction for solicitors and accountants of the freedom to advertise their services to the general public and the break-up of the opticians' dispensing monopoly (see pp 271-2, 1984). In the City of London, the Stock Exchange continued to modernise its rules and working practices to meet the pressures of increasing domestic and foreign competition; government plans for changes in the supervision of the financial services sector envisage self-regulation in the City (see pp 41-3) and a new role for the Director General in helping to ensure that self-regulatory rules do not unreasonably inhibit competition.

During 1984 the Government attempted to bring a measure of competition into areas of commercial activity which have long been the preserve of state-created monopolies: commenting on the privatisation of British Telecom last year (see pp 453-4, 1984), Sir Gordon welcomes the setting-up of the Office of Telecommunications (see pp 269-72, 1983) which has a role in the promotion of competition in the telecommunications industry. A review of airline competition policy (see pp 378-80, 1984) and government proposals to deregulate bus services and privatise the National Bus Company (see pp 78-80) both foreshadow additional responsibilities for the Director General by ending exemptions from competition laws. Sir Gordon feels that competition considerations should be fully taken into account in all plans for privatisation and deregulation.

The Office of Fair Trading considered 259 mergers in 1984 (compared with 192 in 1983) and advised the Secretary of State for Trade and Industry whether they should be referred to the Monopolies and Mergers Commission. A striking feature was the rise in the number of mergers in the banking and financial services sector, largely reflecting the buying of shares in Stock Exchange member firms by banks (in preparation for the abolition of the current ceiling on the proportion of Stock Exchange member firms' shares that can be purchased by non-members – see p 179 and pp 221-4, 1984). Four 'monopoly situations' were referred to the Commission by the Director General during 1984.

Turning to consumer matters, Sir Gordon notes that a number of important discussion documents and reports were released in 1984 – on credit scoring systems, selling by telephone, guarantees, household insurance and prepayments by purchasers of goods and services. There was now a greater appreciation in the business community that dealing fairly with

customers made commercial sense, and this was illustrated in 1984 by the credit industry (in publicising new methods of assessing potential borrowers), the motor-cycle trade (in adopting a new code of practice promoting high standards of trading conduct to its members) and the building trade employers (in instituting a guarantee scheme to protect victims of bankrupted builders). Nevertheless, Sir Gordon believes that further improvements in some areas of consumer legislation are needed, for instance, to protect consumers when 'a company goes cold-bloodedly into liquidation, leaving its customers at the tail-end of the creditors' queue, but reappears – sometimes within weeks – to recommence trading under a new name': the Insolvency Bill (see pp 160-2) probably did not provide adequate protection for people in this situation.

Applications to the Office for credit licences (required by the consumer credit and hire industry under the Consumer Credit Act 1974) in 1984 totalled 17,370 and 16,680 were granted; the increase in applications of 4 per cent between 1983 and 1984 continues an upward trend, but is smaller than in each of the preceding three years. A total of 313 notices were served on applicants or licence-holders warning that their licences were likely to be refused or revoked; as in previous years the motor trade accounted for the largest share of adverse decisions.

The Director General is empowered to seek assurances from traders who disregard their legal obligations to customers and, in 1984, 68 written assurances were obtained from traders promising future good business behaviour; since 1973 475 assurances, undertakings and orders have been secured from or against traders who have persistently broken the law.

Consumer complaints reported by local enforcement and advice agencies to the Office in the year ended 30 September 1984 amounted to 648,425, an increase of some 83,700 over the figure for the previous 12 months.

Source: *Annual Report of the Director General of Fair Trading 1984*. HMSO, £7·20. ISBN 0 10 232785 8.

INDUSTRIAL DEVELOPMENT BOARD FOR NORTHERN IRELAND

An industrial development strategy to be adopted by the Indust al Development Board for Northern Ireland (see p 327, 1982) over the next five years is set out in a document published on 2 May. Central to the strategy is the Board's objective of maximising continuing employment opportunities in industry and tradeable services. Its key elements are the revitalisation of domestic industry by assisting the development of profitable companies capable of maintaining and expanding employment; the encouragement of exports and of the greater usage of locally-produced components; the sharper focusing of the effort to attract inward investment on those geographical areas which offer the best prospects of success; and the development of skills and expertise. In implementing the strategy the Board will continue to give high priority to the maintenance, modernisation and expansion of Northern Ireland's industrial base. Stronger emphasis will be placed on the development of marketing skills.

The present substantial promotional campaign to encourage companies in the United States to invest in Northern Ireland will be maintained, while increased effort and resources are to be devoted to the Far East and Great Britain;[1] the emphasis in Europe will be more towards the attraction of joint ventures. The Board will concentrate on helping those industrial and service sectors having the greatest market potential and availability of expertise and facilities to exploit that potential and thus offering the best chances of creating continuing employment opportunities. It will seek out firms in selected sectors that are prepared to work with it on expansion plans so as to maximise employment; companies will be encouraged to take up marketing and other support, rather than just aid for investment in productive capacity. To help this process the Board will move increasingly towards adopting an 'active company development approach', and will recruit an executive team to carry out its plans. Part of this development process is already under way with the establishment of a postgraduate course in industrial development at the University of Ulster.

The Board envisages becoming a more 'sector-based' organisation in order to maximise its effectiveness and knowledge of specific sectors; in working out sectoral strategies it will call upon expertise from local industry, organisations and academic institutions. At the same time, the Board's package of incentives is to be simplified and rationalised.

Source: *Encouraging Enterprise: A Medium Term Strategy for 1985-1990*. A document by the Industrial Development Board for Northern Ireland. HMSO, Belfast, £4·30. ISBN 0 337 09227 3.

MULTI-FIBRE ARRANGEMENT

The Minister for Trade, Mr Paul Channon, announced in the House of Commons on 9 May that the Government supported the renewal of the Multi-Fibre Arrangement (MFA) of the General Agreement on Tariffs and Trade (GATT) when the current arrangement comes to an end in July 1986 (see p 38, 1983, and p 24). The MFA restricts textile imports into developed countries from the developing countries; the Minister said that these restrictions should not be lifted suddenly. A further period of protection would give the British textile and clothing industries time to establish their international competitiveness.

There was increasing international recognition of the need for a new round of multinational negotiations under the GATT and the longer-run future of the MFA should be decided in this context. However, even if such negotiations began immediately, it might be four or five years before they were completed and it was therefore necessary to have a renewed MFA to carry us from July 1986 into these wider GATT negotiations, even though it would be, in some sense, a transitional measure. The GATT textiles committee would be meeting to discuss the question of the renewal of the MFA in July 1985; it was necessary for the European Community, which negotiated collective bilateral

[1] England, Scotland and Wales.

agreements with developing countries under the MFA, to agree its policy stance in advance of this meeting.

A more liberal arrangement than the present one was both inevitable and right. The Government hoped that some existing quotas could be dispensed with, and that increases in some others could take place, especially where restrictions had weighed heavily on the price of children's clothes. The Government would seek above-average improvements for the poorest developing countries, and for those countries whose trade barriers to British exports were low. However, the stronger developing countries, which were rapidly industrialising and competing successfully in British markets, should not expect much liberalisation of their quotas unless they were willing to shoulder the normal obligations of full GATT membership and open up their markets.

Source: *Hansard*, Vol 78, No 113, cols 915-24.

EXPLOITATION OF RESEARCH

New arrangements governing the exploitation of discoveries arising out of research funded by the research councils were announced by the Secretary of State for Education and Science, Sir Keith Joseph, in a statement in the House of Commons on 14 May. This follows the Government's decision to end the British Technology Group's right of first refusal over such discoveries (see pp 339-40, 1983). The new arrangements, which give individual researchers and their universities new incentives and wider scope to exploit their own research, are intended to increase the exploitation of research funded by the research councils for the maximum benefit of the British economy.

The Secretary of State said that the five research councils (the Science and Engineering Research Council, the Medical Research Council, the Natural Environment Research Council, the Agricultural and Food Research Council and the Economic and Social Research Council), which together funded some 6,900 university research projects with a total value of £360 million, preferred the rights and responsibilities for the exploitation of this research to rest with the institution receiving the grant, subject to the existence of satisfactory procedures for identifying and pursuing results with potential for exploitation. It would be open for universities to propose arrangements best suited to their circumstances, but he hoped that they would seek to give the fullest opportunities for researchers to exploit their own work, and to share in the benefits. Universities would be asked to submit their proposed arrangements to the Science and Engineering Research Council, which would consider them in consultation with the other research councils, the Committee of Vice Chancellors and Principals, the University Grants Committee, and with the Department of Education and Science, the Department of Trade and Industry, and the Treasury. The research councils would be asked to amend their conditions of grant-making to accommodate the new arrangements, and to consider the scope for developing policies for exploitation of inventions originating in their own institutes along similar lines.

Sources: *Hansard*, Vol 79, No 116, written answers, cols 97-100; Department of Education and Science press notice, 14.5.85.

WILDLIFE AND COUNTRYSIDE ACT 1981

The Government has published its reply to the report[1] of the House of Commons Environment Committee on the operation and effectiveness of Part II of the Wildlife and Countryside Act 1981 (see pp 152-3, 1981 – Part II relates to nature conservation, the countryside and national parks). The Government is gratified that the Committee's broad view is that the Act has been successful in providing the necessary foundation, legislative and philosophical, for policy in the future. It agrees with the Committee that the Act, and associated government policy, have played a key role in bringing about a revolution in attitudes to countryside issues, typified by the establishment of a new consensus between responsible environmentalists and farmers, which has led in turn to wider popular concern and emerging practical co-operation.

Accepting, in full or in part, the majority of the Committee's recommendations, the Government notes that it has already responded to some of the concerns raised in the report by supporting some amendments introduced in a recent private member's Bill, in particular the proposals to block the 'loopholes' relating to notifications of Sites of Special Scientific Interest and nature conservation orders; to require National Park authorities to prepare maps of areas important for conservation; and to place a new duty on the Forestry Commission to aim at a reasonable balance between its primary duties and conservation. The Government is also urgently following up the Committee's call for action to speed up the establishment of marine nature reserves, where it believes that the voluntary approach is far from exhausted.

In keeping with the voluntary philosophy embodied in the Act, and firmly supported by the Committee, the Government agrees that wide-ranging statutory controls over the countryside, together with the bureaucracy needed to administer them, should be kept to the unavoidable minimum. However, while it believes that countryside policies based on principles of voluntary consent offer the best way of maintaining effective conservation, the Government is ready to use the back-up powers available under the Act when necessary. For example, as at the end of January 1985, nature conservation orders had been made to secure the protection of 14 nationally important wildlife sites throughout Britain, and the Government intends to continue using such orders in cases where sites of national importance are under threat. However, any extension of planning control, suggestions for which were considered, though not formally recommended

[1] *First Report from the Environment Committee: Operation and Effectiveness of Part II of the Wildlife and Countryside Act 1981*. Vol 1: Report and Proceedings. HMSO, £4·65. ISBN 0 10 278685 2. Vol 2: Minutes of Evidence and Appendices. HMSO, £13·15. ISBN 0 10 279485 5.

by the Committee, would need strong justification in view of the extra burden it would impose on both developers and the planning system itself.

Noting that its overall objective is to secure a satisfactory balance between the needs of agriculture and conservation, the Government states that a healthy and balanced countryside policy must continue to rest upon the closer liaison between departments (principally the Department of the Environment, the Ministry of Agriculture, Fisheries and Food and, in Wales, the Welsh Office) which has led to developments such as those announced since the Committee finished taking evidence. These comprise further important adjustments of the farm capital grant schemes to favour conservation; an experimental scheme to conserve grazing marshes in the Broads [in East Anglia]; and the decision by agriculture departments to implement those provisions of the new European Community Agricultural Structures Regulation which provide for assistance to environmentally sensitive areas, and to farm tourism and crafts in areas suffering from severe handicaps to farming.

Source: *Operation and Effectiveness of Part II of the Wildlife and Countryside Act 1981*. The Government's Reply to the First Report from the Environment Committee. Cmnd 9522. HMSO, £2·80 ISBN 0 10 195220 1.

SHOP HOURS

On 20 May the House of Commons debated the report of the Committee of Inquiry into Proposals to Amend the Shops Acts, which was chaired by Mr Robin Auld, QC (see p 462, 1984).

Opening the debate, the Home Secretary, Mr Leon Brittan, announced the Government's intention to bring forward legislation to implement the recommendation of the report to abolish completely all the statutory restrictions on retail hours, both during the week and on Sundays.

For the official Opposition, Mr Gerald Kaufman expressed concern that any legislation should include full and proper protection for the pay and conditions of shop workers.

Source: *Hansard*, Vol 79, No 120, cols 745-56.

SOCIAL AND CULTURAL AFFAIRS

Reform of Social Security

Proposals for a wide-ranging reform of the structure of the British social security system were announced by the Government in a Green Paper[1] published in June. The main aim of the proposals, drawn up in the light of the rapid rise in the cost and the increasing complexity of social security, is to provide a clearer, simpler and more soundly-based system which is more capable of meeting genuine need. The main proposals include the phasing-out of the State Earnings-related Pension Scheme, which is additional to the basic state pension, and its replacement by a system of compulsory contributions by employers and employees to occupational or personal pension schemes; the introduction of a new system of income-related benefits to replace family income supplement, supplementary benefit and housing benefit; and the creation of other new benefits to provide extra help at times of special need. Unemployment benefit and child benefit (payable to all mothers) will remain unchanged.

The proposals have been drawn up following four separate government reviews of specific aspects of the social security system, namely: provision for retirement, housing benefits, the supplementary benefit scheme and benefits for children and young people (see pp 142-3, 1984). Following a period of consultation the Government plans to publish a White Paper containing its final proposals later in 1985; the major structural reforms will be introduced in April 1987.

Secretary of State's Statement

Summarising the proposals in a statement to the House of Commons on 3 June (*Hansard*, Vol 80, No 125, cols 34-9), the Secretary of State for Social Services, Mr Norman Fowler, said that the Government remained committed to the concept of a national insurance system under which entitlement to the major benefits was earned by the payment of contributions during working life, and to the tradition of state support for those in need. Social security, however, was not a function of the State alone, and should be a partnership between the individual and the State – a system built on twin pillars. The reviews had shown that there were major causes for concern in the system. It was too complex, needed modernisation and was not properly co-ordinated with the tax system.

The cost of the system had increased fivefold in real terms since the second world war, and now totalled some £40,000 million a year. This was over 30 per cent of all public spending and represented over 11 per cent of gross domestic product, compared with only 4·7 per cent after the war. Nor had the pressure for growth in spending ended: in the first part of the next century society would need to provide for an extra 4 million pensioners, and this, together with the cost of the State Earnings-related Pension Scheme, meant that spending on pensions would at least treble. A soundly based social security system was needed which the country could afford.

Help for Families

Above all, the system did not always help those in need. More than half of those living on the lowest incomes were in families with children, and a major priority of the review had been better provision for this group. The Government therefore proposed to introduce a new benefit, to be called family credit, to provide better help for such families. Family income supplement would be abolished. Family credit would have three main features. First, it would be paid to working families on the same basis as to unemployed families, in that help would be related to the age of children. This would mean that families with children could not generally be better off out of work than in work. Secondly, it would be related to take-home pay, not to gross earnings, as was family income supplement. The worst effects of the poverty trap would therefore be eliminated, making it impossible for people to face a marginal tax rate of more than 100 per cent. Thirdly, the new benefit would be paid by employers through the pay packet. Families would see their benefit as part of their income from work, whether as an offset to tax and National Insurance, or, in the case of the lowest paid, as an addition to gross pay.

Family credit would be paid in addition to child benefit. The Government believed that the extra responsibilities carried by all those bringing up children should be recognised, and child benefit would therefore continue to be paid to all children, irrespective of the means of the family. Family credit would be part of a coherent system of income-related benefits covering basic income support, assistance with housing costs and help for low income families, based on a common income test and a common structure. It would be simpler, fairer and easier to administer,

[1] *Reform of Social Security*. Vol 1. Cmnd 9517. HMSO, £3. ISBN 0 10 195170 1. Vol 2. Cmnd 9518. HMSO, £6·60. ISBN 0 10 195180 9. Vol 3. Cmnd 9519. HMSO, £10·50. ISBN 0 10 195190 6.

The report of the review of housing benefit has been published separately from the Green Paper: *Housing Benefit Review*. Report of the Review Team. Cmnd 9520. HMSO, £6·10. ISBN 0 10 195200 7.

and would provide the same level of help at the same level of income for those in and out of work.

Income Support for Low Earners

The Government proposed to replace supplementary benefit with a new income support system. The central concept of the scheme was that regular extra payments, for items such as furniture, bedding, cookers and special clothing, now made on the basis of detailed individual assessment, should be absorbed into the main rates of benefit. The benefit would be determined essentially by age and family responsibilities with extra allowances for a number of special groups – pensioners, the long-term sick and disabled, and lone parents. Families with children would not only receive assistance for each child, but a premium to reflect the extra pressures that they must cope with.

The capital rule would be eased by introducing a taper between £3,000 and £6,000, instead of the present inflexible £3,000 cut-off. (At present, claimants with savings of £3,000 are not entitled to supplementary benefit.) The earnings rule for the long-term unemployed and the disabled (the amount of money which these groups are allowed to earn without affecting their entitlement to benefit) would also be eased.

The new scheme should provide for the needs of almost all claimants, but the system must be ready to cope flexibly and quickly with particular problems. Instead of the present single payment system, it was proposed to set up a social fund to be operated on a discretionary basis by specially trained staff, to provide emergency help where needed, and to help those facing particular difficulties. It was also expected that the social fund would, in time, provide a better basis for contributing cash help to enable people to be cared for in the community rather than in institutions.

Housing Benefit

The Government had accepted most of the recommendations in the report on housing benefit, published separately from the report on social security. The review team had found that housing benefit was excessively complicated; it was also expensive and poorly targeted, with more than one-third of all households, some with incomes equivalent to average earnings, receiving benefit. The Government intended to move to a clearer and simpler system, based on the same net income assessment basis as the income support and family credit systems. It would also provide financial help with rent and rates payments together rather than separately, as at present. For the poorest families, housing benefit would meet 100 per cent of rent, and would apply equally to those in and out of work.

The basis on which help was provided with rates needed to be changed. At present some 7 million householders received help with some or all of their rate bills, and over 3 million householders paid no rates at all. As a result, a large proportion of people lived in households in which no rates were paid. This meant that there was no effective link between payment for, and use of, local services. The whole structure of rates was currently under review, but the Government believed that all householders should be directly responsible for making some payment towards them, and a figure of the order of 20 per cent was under consideration.

Other Contributory National Insurance Benefits

The Government, said Mr Fowler, remained committed to the principle of basic provision for the contingencies of unemployment, maternity and widowhood organised by the State through the National Insurance system. No change in unemployment benefit was proposed and it would continue to be paid for 12 months. For widows under 60, the widow's allowance, currently paid for the first six months after bereavement, would be replaced by a single lump sum payment of £1,000 to give them more help when it was most needed. The rules governing maternity allowance would be adjusted so that the mother could have greater freedom in choosing when, around the time of her confinement, she wished to be paid the allowance. The maternity grant and the death grant were now at a level which was quite inadequate for their purpose. The Government therefore proposed a new maternity grant of £75 – three times the present level – to be available to all low-income families. Help with the full cost of funerals would also be made available more widely than at present to anyone who had responsibilities for a funeral and lacked the resources to pay for it.

Retirement Pensions

The largest single area of social security spending was on pensions. The basic pension alone accounted for over £15,000 million a year and was paid to 9 million people. This pension accounted on average for half the income of pensioners and had been a major factor in raising pensioners' living standards since the war; it must remain the basis on which individuals could build additional pension provision. The question was how that extra pension should be made.

Because of an estimated increase of 4 million in the number of pensioners over the next 50 years, the long-term cost of state pensions was set to rise steeply. If the basic pension were uprated in line with prices, its cost would increase in real terms by half to £22,000 million by 2033, and, if it kept pace with earnings, the cost would treble to nearly £45,000 million. On top of that, the cost of the state earnings-related scheme would add another £23,000 million. The total pensions bill would therefore at least treble and could increase fourfold. At the same time the ratio of contributors to pensioners would worsen, and it was estimated that there would only be 1·6 contributors for each pensioner compared with 2·3 now. Britain could not afford these emerging costs, and had a duty to re-examine the position. The Government therefore proposed to phase out the state earnings-related scheme and to move to a position in which, in addition to the basic pension, everyone had his own pension with his job, whether it was an occupational pension, membership of an industry-wide scheme or a personal pension. In all cases every employee would have the right to a contribution from his employer.

The Government recognised, however, that older workers would have difficulty in building up adequate occupational pension cover, and had therefore decided not to make any changes for those within 15 years of retirement. For men aged 50 and over and for women aged 45 and over at the time of implementation, the existing state earnings-related arrangements would continue. This meant that no one retiring during the remainder of this century would be affected by the change, and neither would any existing pen-

sioner. All rights built up in the state scheme at the time of the change would be honoured. For those to be covered by the new arrangements, the Government would lay down a minimum contribution level of 4 per cent of earnings, at least half of which must be provided by the employer. The new arrangements would be phased in over three years. These changes would mean that in due course all employees would be contributing to their own additional pensions through their jobs. This would represent the biggest-ever extension of occupational pension coverage in Britain, and would add to the reforms of occupational pensions, including improved rights for early leavers and transfer of pensions, currently before Parliament (see p 325, 1984).

Other Changes

The Government, said Mr Fowler, must also ensure that the social security system was managed as effectively as possible to provide the best possible service to the public. The new benefit proposals would in themselves make the system simpler, but the largest programme of computerisation ever undertaken in Britain was also being launched to modernise and improve its operation. The benefit changes and the computerisation programmes of both the Department of Health and Social Security and the Inland Revenue would provide opportunities to achieve greater co-operation and closer working between the tax and benefit systems. A major step towards better harmonisation was being taken by aligning the tax and benefit years; instead of uprating benefits in November each year, the uprating date would be moved to April. This meant that all tax and benefit changes would be implemented at the same time. It was expected to introduce this change in April 1987,when the major structural reforms in the system would be implemented.

Conclusion

Concluding his statement, Mr Fowler said that the Government's programme of reform would provide a system which was easier to understand and simpler to administer. It would mean the most substantial changes in income-related support for 50 years, and for the first time would give equal support to those in and out of work. It would provide more help for low-income families with children; establish a better partnership between state and individual provision, especially in pensions; and give everyone the right to his own pension with his job.

Opposition View

Mr Michael Meacher, the official Opposition's chief spokesman on heath and social security, said that the statement represented an erosion of the fundamental principle of a welfare state for all citizens and the re-introduction for the first time this century of Victorian values, in a distinction between deserving and undeserving poor. The package as a whole would bring about a net loss in the next few years to pensioners and the unemployed of at least £1,000 million a year, even before the losses from the abolition of the State Earnings-related Pension Scheme began. Women, low-paid workers, the longer-term sick and disabled and the millions of carers who looked after them would be shifted compulsorily into private schemes to which they would make higher contributions for less benefit. There was no justification for claiming that the scheme could not be afforded in the next century.

The cuts in housing benefit would bring a loss to tenants of about £750 million a year. The poverty trap would be intensified by a decision to increase the progressive loss of housing benefit as wages rose and 7 million people receiving housing benefit would for the first time have to pay 20 per cent of their rates and all of their water rates. Nearly 2 million households now receiving housing benefit would lose it altogether.

The statement virtually made the unemployed the outcasts of society, by forcing them on to the lowest rate of the new income support scheme. Families would be hit by the inadequate provisions of the new family credit.

The themes of the statement were more means testing, bigger cuts, and penalising pensioners, the unemployed and the low-paid.

Higher Education into the 1990s

The Government's thinking on the development of higher education in Britain over the next ten years has been outlined in a Green Paper published in May.[1] Among the main views expressed are that higher education should contribute more effectively to the improvement of Britain's economic performance and become more responsive to changing industrial and economic circumstances; closer links should be established with business, the professions and the public services. Access to courses should in future be available to all those who can benefit from them, provided that this benefit justifies the cost to the taxpayer. The Government is committed to raising the standard of courses and to obtaining better value for money, especially in the field of research, through improved management and planning by universities, polytechnics and other colleges. Adjustments in provision will be needed to meet the expected decline in student numbers in the 1990s, and this is likely to result in the closure or merger of certain institutions.

The term 'higher education' is used to define degree and other courses of a standard higher than that required for the 'A' level of the General Certificate of Education and is provided by universities, polytechnics and a range of other colleges.

The Green Paper was prepared in the light of advice on future strategy for higher education published in September 1984 by the University Grants Committee (UGC) and the National Advisory Body for Public Sector Higher Education (NAB). (Separate advice is being prepared in Scotland by the Scottish Tertiary Education Advisory Council.) The Government will review its policies in the light of responses to the paper and plans to make a further statement of its intentions in 1986.

The following is a summary of the main points of the Green Paper.

[1] *The Development of Higher Education into the 1990s.* Cmnd 9524. HMSO, £5·80. ISBN 0 10 195240 6.

The Green Paper

Higher Education and Employment

Britain's economic performance since 1945 has been disappointing compared to that of other countries and higher education must contribute more effectively to the improvement of this performance. Other countries are producing more qualified scientists, engineers, technologists and technicians than Britain, skills which the economy needs, both to develop the talents of entrepreneurs and to exploit their achievements. The shortage of appropriate manpower can be made good only if higher education is sufficiently flexible to respond quickly to new needs. Higher education establishments must also develop more positive attitudes towards, and stronger links with, industry, commerce and their local communities.

The Government's efforts to make all parts of the school curriculum more practical and relevant to the everyday world (see p 134) should encourage more able young people to study mathematics and science after the age of 16. In higher education it is giving emphasis to promoting technological and vocational courses at all levels in order to secure a switch in graduate output away from the arts and social sciences.

The attitudes of employers are particularly important: employers often choose recruits for careers in management by reference to general ability and leadership qualities, but they must also provide clear indications of the importance they attach to competence in science and technology. In order to persuade more young people to choose science, engineering and technology courses, business should offer greater employer sponsorship of students at university or polytechnic, steady levels of recruitment and attractive conditions of pay, promotion and status.

The Government is also convinced of the importance of providing adequately for arts subjects. Because of the increasing emphasis on technological and vocational subjects, however, the proportion of arts places in higher education as a whole can be expected to shrink.

Access to Higher Education

Since 1963 successive governments have endorsed the so-called 'Robbins principle' that courses of higher education should be available to all those who are qualified by ability and attainment to pursue them and who wish to do so.[1] The Government accepts the advice of the UGC and the NAB that qualification for higher education should be interpreted as broadly as possible and that courses should be available to all those who can benefit from them and who wish to do so. So long as taxpayers substantially finance higher education, however, the benefit must be sufficient to justify the cost. The intellectual competence, motivation and maturity of the student should be consistent with the course, which must itself be of a standard appropriate to higher education.

The 18 to 19 year-old population will fall by 33 per cent between 1984 and 1996. The projections suggest that future demand for full-time courses is likely to stay fairly constant or to increase up to 1990 and to fall thereafter by about 14 per cent. The Government's expenditure plans will accommodate a continuation of demand consistent with the level of entry to higher education in 1983. An early start to planning for changes in provision will be necessary to ensure that universities, polytechnics and other colleges adjust in a cost-effective way to demographic changes and to developing needs for skill updating and similar post-experience courses. A modest increase in the opportunity to enter university as the demand falls is to be welcomed.

[1] *Higher Education*. Report by the Committee on Higher Education (under the chairmanship of Lord Robbins). HMSO, 1963.

Student Support

Despite the fact that the Government has required from better-off parents a progressively greater financial contribution to student maintenance costs, financial support for higher education in Britain continues to be one of the most generous in the Western world. There is a strong case for considering whether available resources could be used more effectively in providing student support or whether arrangements less onerous to the taxpayer might be justified. A review of the system of student financial support will be published shortly.

Overseas Students

Britain has a long tradition of contributing to the educational needs of other countries by receiving and welcoming their students. There is an immediate value in the exchange, which benefits both the students and the receiving institutions, and there are long-term mutual benefits through better understanding, goodwill, increased commercial exchange and improved diplomatic relations.

The great majority of overseas students must be expected to continue to pay fees that cover the cost of their education. The Government is, however, committed to a policy of targeted support for overseas students which meets the needs of particular countries and is in line with British policy objectives. The various government-funded award schemes are supporting over 16,000 students in 1984-85 at a cost of over £70 million. Of these, around 13,000 students are engaged in higher education. The Government values the traditional educational links between Britain and other members of the Commonwealth, and a substantial part of its award schemes supports Commonwealth students (see p 188).

Education throughout Life

Opportunities for education should be available throughout life – for career purposes and for greater personal fulfilment – and the need increases with the pace of technological change. The Government agrees that the provision of continuing education should be one of the principal parts of higher education's work. It accepts that it should give a lead in promoting it, but does not believe that the arguments for taxpayers' support are the same as in the case of initial higher education. Employers can be expected to pay the costs of courses that meet their requirements. Equally, mature students in work can be expected to make a substantial contribution towards the courses they take, whether for career advancement or for personal satisfaction.

Employers in most other industrial countries concern themselves more with the development and updating of the skills of their staff than do British employers. If Britain is to compete effectively, employers should

accept these responsibilities more fully, and in particular should be ready to meet the costs of in-career and vocational provision tailored to their requirements.

Research and Postgraduate Education

The contribution of the higher education system to Britain's research effort should continue on about its present scale, but there is also a need for closer and better co-operation with industry, commerce and the public services, more funding from private sources, and better management. Firms in Britain need to be as aware as many of their foreign competitors are of the potential of higher education institutions, particularly as partners in product innovation. Researchers should be more aware of the importance of commercial exploitation and their responsibilities for its promotion (see p 203).

Academic Courses and Standards

The design and content of higher education courses relevant to jobs should be adjusted regularly in the light of advice sought from employers. Higher education institutions, in co-operation with the professional institutions, should also ensure that vocational degree courses are reformed so as to provide a suitably broad basis on which further training and updating can be built.

One-year 'access' courses run by polytechnics and colleges can provide a foundation and an appropriate test before enrolment on a course of higher education for prospective students who are late developers and lack the standard entry qualifications.

There is scope for the wider application of distance learning, involving the use of audio-visual media as well as the written word and personal guidance in the updating of industry, commerce, the public services and the professions.

Regarding the assessment and control of quality and standards, the Government is reviewing arrangements for the academic validation of degree courses, but rejects the idea of an external validating body for universities.

Management

Higher education institutions should have clear and appropriate objectives and management structures which enable difficult decisions to be taken about the management of resources. Present arrangements may be more suited to a period of expansion than to the present period of financial restraint and expected contraction.

A report on efficiency studies in the universities has recently been published and is being studied, and for other sectors of higher education efficiency studies have been carried out or are being planned. Sound management is based not only on efficient use of resources but also on the effectiveness of results achieved. This argues the need to develop and use measurements of performance. The Department of Education and Science is currently examining how reliable measures of performance might be established. The Government believes there would be advantage in the regular publication of a range of unit costs and other performance indicators by institution and by department and will be pursuing this possibility.

The Future Structure and National Planning of Higher Education

The Government has no plans to alter the main shape of the existing arrangements for funding and managing higher education institutions. It rejects the idea of an 'overarching' body for the planning of higher education across the different sectors. There will, however, be an examination of the role, structure and staffing of the University Grants Committee. The role of local authorities in higher education is endorsed, as is the need for higher education planning to be conducted increasingly across all sectors.

Finance

The Government's expenditure plans will require continuing gains in efficiency across higher education if standards are to be maintained, entailing rationalisation of provision and selectivity in the application of the resources available.

Institutions will be encouraged to seek more of their income from sources other than the taxpayer and ratepayer, and, to encourage universities' efforts in this direction, increases in income from outside sources will not lead to reductions in government funding. The Government also wishes to see polytechnics and other local authority colleges have similar opportunities to universities for earning income from business and from the transfer of technology to business.

Statement by the Secretary of State

Announcing the publication of the Green Paper in a statement to the House of Commons on 21 May (*Hansard*, Vol 79, No 121, cols 859-61), the Secretary of State for Education and Science, Sir Keith Joseph, said that it was vital for Britain's higher education to contribute more effectively to the improvement of the performance of the economy. This was not because the Government placed a low value on the general cultural benefits of education and research or on the study of the humanities. The reason was simply that, unless its economic performance improved, Britain would be even less able than now to afford many of the things that society valued most – including education for pleasure and general culture and the financing of scholarship and research as an end in itself. The Green Paper therefore emphasised the need for higher education to become more responsive to changing industrial and commercial circumstances, and the importance of close links between higher education on the one hand and business, the professions and the public service on the other.

Measures to Curb Football Spectator Violence

Following the events at the European Cup Final in Brussels on 29 May which led to the deaths of 38 people, measures to curb football spectator violence have been announced by the Prime Minister in the House of Commons. They include legislation to ban alcohol from football grounds and on transport to matches; additional police powers to prevent disorder at matches as part of the Government's reform of

the public order legislation; acceleration of the introduction of closed-circuit television at grounds; and other measures to be discussed with the football authorities, including the introduction of membership schemes for supporters. At the same time co-operation in developing international measures to deal with hooliganism will continue.

Some of these measures had already been announced or were the subject of discussion between the Government and the football authorities following serious crowd disorder in March at a match between Luton and Millwall (see p 141). In August 1984 an official working group reporting on football violence made recommendations for matches at home and abroad (see pp 357-8, 1984).

Prime Minister's Statement

In a statement in the House of Commons on 3 June (*Hansard*, Vol 80, No 125, cols 21-3) the Prime Minister, Mrs Margaret Thatcher, referred to the 'appalling scenes of violence' before the match between Liverpool and the Italian team Juventus and said that the House shared the nation's profound sympathy for the bereaved and injured and the sense of outrage and shame at the behaviour of a number of British citizens which led to the tragedy. An immediate contribution of £250,000 for the families of the victims was an expression of sympathy and support for those involved.

The Belgian authorities and UEFA (Union of European Football Associations) were conducting formal inquiries into the arrangements for the match and into the disaster and would no doubt report on the extent to which the internationally agreed guidelines and precautions for spectator safety were followed. It had to be recognised that there had been a terrible record of violence at European football matches, in which English supporters had played a large part over many years. In these circumstances the Government welcomed the initial decision of the Football Association to withdraw English clubs from participation in European competitions next season and believed the subsequent decision of UEFA to ban English clubs from European competitions for an indefinite period to be right. The withdrawal gave English football authorities the opportunity to introduce effective measures to combat violence and to convince other countries that they had done so. [The announcement of a worldwide ban on English teams by FIFA – the International Federation of Football Associations – on 6 June was welcomed by Mrs Thatcher as an 'opportunity to put our own house in order'.]

Action to be taken

The following measures would be taken, or were already in hand, continued Mrs Thatcher. The Government would introduce as soon as possible legislation [in England and Wales] similar to that contained in the Criminal Justice (Scotland) Act 1980. That Act makes it an offence to be drunk or to possess alcohol on football trains or coaches, on entry to grounds and in most areas of grounds. It also made it an offence to be in possession of containers that could be used as missiles. The Government intended to have this legislation in force in time for the coming football season [beginning on 24 August].

Legislation envisaged in the White Paper on the review of public order (see p 175) would be introduced in the next session of Parliament. The proposals on outdoor assemblies would considerably strengthen the powers available to the police to guard against the risk of disorder by enabling them to limit the gate and impose other conditions. Under this provision the police should be able to stipulate whatever steps they considered necessary to minimise the risk of disorder.

Mr Justice Popplewell, who was appointed to inquire into events at Bradford City and Birmingham football grounds on 11 May, would continue his inquiry.[1] His terms of reference were wide enough to allow any lessons learnt from Brussels to be taken into account. Mr Justice Popplewell hoped to submit an interim report before the beginning of next season.

Mrs Thatcher went on to say that the Home Secretary had set in hand the procedure for designating under the Safety of Sports Grounds Act 1975 the grounds of all clubs in the third and fourth divisions of the Football league [not at present covered by the Act's safety regulations]. The Government had also agreed with the football authorities on a number of measures, including acceleration of the introduction of closed-circuit television, with the help of the Football Trust. The Trust was proposing to allocate £500,000 for this purpose as a first step which would give cover in more than 30 grounds in addition to the 11 at which experiments were already taking place.

Events at Brussels, however, had made it clear that more was now needed. Mrs Thatcher said that she would be discussing urgently with the football authorities proposals for a practical system of membership schemes either on a club or on a national basis, proposals for far more ticket-only matches and stricter controls or, in some cases, a ban on visiting spectators. She recognised that such measures would mean a radical change in the way football was conducted in Britain but such change was needed if the game was to survive as a spectator sport and if English clubs were once more to be acceptable abroad.

In parallel with its own action the Government would continue to co-operate in developing international measures to deal with hooliganism.

In the meantime the Government was anxious to give the authorities in Brussels every assistance in bringing to justice Britons who had committed offences in connection with the European Cup Final. Arrangements already existed between the United Kingdom and Belgium for the extradition of those accused of serious offences such as murder, manslaughter, wounding or serious assault, and if the Belgian authorities were to seek the extradition of someone accused of such an offence, they would be given every assistance.

The Government also intended to offer the Belgians, in accordance with the Repatriation of Prisoners Act, the opportunity to remove to prison in the United Kingdom anyone given a prison sentence in Belgium. The Prime Minister concluded her statement by saying that she hoped that the 'sickening events' of 29 May would unite all decent people in helping to eradicate hooliganism. To curb violence required effort and commitment from everyone. If English clubs were to

[1] A judicial inquiry was initiated to consider new measures to improve crowd safety and control after a fire at Bradford City football ground, as a result of which 55 people died, and crowd disturbances at Birmingham.

play football in Europe again, they would do so only when their good names and that of their followers and supporters had been restored.

Later, in response to a question by Mr Neil Kinnock, Leader of the official Opposition, about the need to ensure that some of the revenue taken out of the game was returned in the form of improved safety and security at football grounds, Mrs Thatcher said that a working party had already been set up under the chairmanship of the Minister for Sport, Mr Neil Macfarlane, to make an assessment of the money needed to make grounds safe. This would be made in view of the numbers of spectators the grounds now had, not in relation to the higher numbers they had in the past. Of the money at present available £7 million a year went from the football promoters to the Football Trust and £3·3 million was distributed retrospectively in 1984 from the Football Ground Improvement Trust for work already done. A further £5 million a year was received direct from pools promoters as payment for the copyright on the fixtures list and £3·5 million a year was received from television. That was apart from takings at the gate. Considerable sums were already going into football. The Government was prepared to allocate more should the committee's findings show that to be necessary.

In response to another question Mrs Thatcher said that the penalties that might be imposed on hooligans were already severe. Recent events would probably mean that heavier sentences were meted out.

Opposition Views

Mr Neil Kinnock said that the official Opposition supported the Government's decision to introduce legislation similar to that contained in the Criminal Justice (Scotland) Act 1980 but were surprised at the rather restricted action otherwise proposed. Arrangements had to be secured that would help football clubs, the genuine football supporters, who were in the vast majority, and the police to defeat the criminals who were destroying the game. The response should not relate solely to punishment or to policing or to a period of probation for English football. In addition it was essential to discover not only those who committed the crimes but why they committed them. A quick and thorough investigation was needed that would involve the police, youth or social workers and others with direct practical experience of dealing with the issues posed. If it was the case, as had been suggested, that any of this thuggery was related to political organisation by racists, Fascists or anyone else, that should be inquired into so that the menace to democracy could be removed.

The Liberal member Mr David Alton, who represents a Liverpool constituency, said that the people of Liverpool felt a profound sense of shame at the mindless acts of a minority. He considered that the ban on alcohol should be extended to areas around football grounds. [The Prime Minister replied that the police had powers to apply to magistrates for the closure of licensed premises near sports grounds.]

Mr John Cartwright, speaking for the Social Democratic Party, said the anti-hooligan measures proposed would involve major financial problems for the less wealthy clubs. If the pool betting duty which raised £220 million a year were reduced by 2·5 per cent, £15 million would be available for safety and anti-hooligan measures.

Council of Europe Convention

The need for a Council of Europe convention containing legally binding measures to curb hooliganism at matches played under UEFA's auspices was emphasised by the Minister for Sport at a meeting of seven European sports ministers in Amsterdam on 11 June. The meeting, which had been called by the Dutch sports minister, Mr Joop van der Reijden, endorsed Mr MacFarlane's view, and agreed that a draft should be prepared for consideration by a meeting of Council of Europe sports ministers in Strasbourg on 27 June. The proposed convention, which would be based on an existing Council of Europe recommendation, would include requirements for: the effective segregation of rival supporters; the provision of adequate police resources in and around football grounds; restrictions on the sale of alcohol; minimum standards of safety and access at football stadiums; and the provision of appropriate penalties for troublemakers.

The Strasbourg meeting will also discuss the conclusion of an agreement between the member governments of the Council of Europe and UEFA concerning implementation of aspects of the convention.

Shorter Note

HOME IMPROVEMENT

Government proposals for encouraging the repair and improvement of private sector housing are put forward for discussion in a Green Paper published in May. They fall into two main areas: making the best use of private finance and expertise; and ensuring that assistance goes to those most in need of help and provides value for money. The measures would include a new system of grants and loans based directly on the recipient's ability to pay.

The cornerstone of policy is that home owners are primarily responsible for the repair and improvement of their homes, although they should receive appropriate help and encouragement, and the Government is therefore urging the building industry to consider ways of publicising the importance of maintenance and repairs. It welcomes the initiatives taken by the industry to introduce warranty schemes, and the increase in recent years in the amounts of money lent by banks and building societies for improvement and repair work. The Government now intends to discuss with the building industry and the lending institutions ways in which the best use can be made of private sector expertise and finance.

Under the proposals, mandatory grants would be more widely available, subject to eligibility, for all improvement and repair work needed to bring a dwelling up to the proposed new standard of fitness. Eligibility would be determined by financial circumstances.

For dwellings above the fitness standard, discretionary loans would be provided on the same basis; these would be interest-free but on an equity-sharing basis, and no repayment would be necessary until the property was sold. Both grants and loans would be available on a simplified, single sliding scale. Grants would also be available for developers, subject to strict controls, where the proceeds from sale would be insufficient on their own to provide an adequate financial return. In the private rented sector, both grants and loans would be available in the case of regulated tenancies.

The Government proposes that the two existing types of statutory improvement area should be replaced by a single area to be known as a 'housing improvement area', the main purpose of which would be to increase local confidence and attract private funding. Legislation would provide a general power for local authorities to institute block external repair schemes wherever local circumstances made this appropriate and they had the agreement of the owners concerned, provided certain criteria were met.

There would be a new fitness standard for housing in England and Wales, broadly similar to the existing 'tolerable standard' in Scotland. Unfit dwellings would be the subject of compulsory action by local authorities and a code of guidance would be published to enable them to make their choice of renovation, closure or demolition. The involvement of the private sector would have to be sought in redevelopment schemes, and 'pump-priming' finance could be offered where the cost of clearing and redeveloping the land was more than the price obtainable for new housing built on it. Market value compensation as of right would be available, with additional help, probably an interest-free loan, to certain low-income owner-occupiers and tenants.

Source: *Home Improvement – A New Approach.* Cmnd 9513. HMSO, £3·50. ISBN 0 10 195130 2.

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Ethnic Surveys of non-industrial recruitment to the Civil Service: North West and Avon. The findings of a survey carried out by the Management and Personnel Office and government departments with offices in these areas. On the publication of the report the Government announced its intention to conduct nationally a 12-month survey of executive officer recruitment; a continuing programme of sample surveys in departmental recruitment; a study of the progress of staff entering some of the main recruitment grades in 1986; and to encourage ethnic minority school leavers to apply for Civil Service posts. Cabinet Office. Management and Personnel Office. Available free from Central Management Library, Cabinet Office, Great George Street, London SW1P 3AL. ISBN 0 7115 0097 5.

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Vol 1. Cmnd 9517. HMSO, £3. ISBN 0 10 195170 1.

Vol 2. *Programme for Change.* Cmnd 9518. HMSO, £6·60. ISBN 0 10 195180 9.

Vol 3. *Background Papers.* Cmnd 9519. HMSO, £10·50. ISBN 0 10 195190 6.

Housing Benefit Review. Report of the Review Team (see p 205). Cmnd 9520. HMSO, £6·10. ISBN 0 10 195200 7.

Misuse of Hard Drugs (Interim Report). Fifth Report from the House of Commons Home Affairs Committee, Session 1984-85. The Committee sees the drugs problem as the most serious peacetime threat to Britain's national wellbeing. Following a visit to the United States, it suggests ways of dealing with the growing threat of international drug-trafficking, including intensified law enforcement by HM Customs, the police, the security services and possibly the armed forces; and giving the courts stronger powers in both civil and criminal law to seize the assets of drug dealers. HMSO, £1·35. ISBN 0 10 239985 9.

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